

CITY OF WEST COLUMBIA
WEST COLUMBIA, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2015

KENNEMER, MASTERS & LUNSFORD, LLC
CERTIFIED PUBLIC ACCOUNTANTS
8 WEST WAY COURT
LAKE JACKSON, TEXAS 77566

THIS PAGE LEFT BLANK INTENTIONALLY.

CITY OF WEST COLUMBIA

West Columbia, Texas

*Annual Financial Report
For the Year Ended September 30, 2015*

| | <u>Page</u> |
|---|-------------|
| FINANCIAL SECTION | |
| Independent Auditor's Report..... | 7-9 |
| Management's Discussion and Analysis | 11-20 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 22-23 |
| Statement of Activities | 24-25 |
| Fund Financial Statements: | |
| Balance Sheet - Governmental Funds..... | 26-27 |
| Reconciliation of the Governmental Funds Balance Sheet to the Governmental Activities Statement of Net Position..... | 28 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 29 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Governmental Activities Statement of Activities | 30 |
| Proprietary Fund Financial Statements: | |
| Statement of Net Position - Proprietary Fund | 32-33 |
| Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund | 34 |
| Statement of Cash Flows - Proprietary Fund..... | 36-37 |
| Notes to the Financial Statements..... | 39-73 |
| Required Supplementary Information: | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and Economic Development Corporation Fund..... | 76-79 |
| TMRS Schedule of Changes in Net Pension Asset and Related Ratios..... | 80 |
| TMRS Schedule of Contributions..... | 81 |
| TESRS Schedule of Changes in Net Pension Liability and Related Ratios | 82 |

CITY OF WEST COLUMBIA

West Columbia, Texas

*Annual Financial Report
For the Year Ended September 30, 2015*

| | <u>Page</u> |
|--|-------------|
| Combining and Individual Fund Statements and Schedules: | |
| Nonmajor Governmental Funds: | |
| Combining Balance Sheet | 85 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances... | 86 |
| Other Supplemental Schedules:..... | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Debt Service Fund..... | 87 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Replica and Museum Special Revenue Fund | 88 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Hotel Occupancy Tax Special Revenue Fund..... | 89 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Improvement Fund | 90 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Capital Park Fund..... | 91 |
| Schedule of Revenues, Expenses and Changes in Net Position - Actual Compared to Budgetary Basis - Enterprise Fund | 92-93 |

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY.

Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
979-297-4075

Angleton Office:
2801 N. Velasco Suite C
Angleton, Texas 77515
979-849-8297

El Campo Office:
201 W. Webb
El Campo, Texas 77437
979-543-6836

Houston Office:
10850 Richmond Ave., Ste 135
Houston, Texas 77042
281-974-3416

Independent Auditor's Report

To The Honorable Mayor and
Members of City Council
City of West Columbia
West Columbia, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of West Columbia (the "City"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

www.kmandl.com – Email: kmkw@kmandl.com

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the Financial Statements, in 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension schedules on pages 11 through 20 and pages 76 through 82, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Kerremers, Masters & Hungford, LLC

Lake Jackson, Texas
February 19, 2016

THIS PAGE LEFT BLANK INTENTIONALLY.

CITY OF WEST COLUMBIA, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2015

As management of the City of West Columbia (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$ 9,792,225 (net position). Of this amount, \$ 4,151,286 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation.
- The City's total net position increased by \$ 1,295,427 (governmental activities increased by \$ 1,023,335 and business-type activities increased by \$ 272,092).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 2,545,230. 41.71% of this total amount, \$ 1,061,706 (unassigned fund balance), is available for use within the City's fund designation.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 1,065,267 or 43.36% of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes).

CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The *governmental activities* of the City include general government and administration, public safety, public works, and culture and recreation. The *business-type activities* of the City include water and sewer operations.

The government-wide financial statements can be found on pages 22 through 25 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- **Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances, provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains seven (7) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Economic Development Corporation (Special Revenue), and the Capital Improvement (Capital Projects Fund); all of which are considered to be major funds. Data for the other four (4) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 85 through 86 of this report.

CITY OF WEST COLUMBIA, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2015

- **Proprietary Funds.** The City maintains one category of *proprietary funds*-Enterprise Funds. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 32 through 37 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39 through 73 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund and Economic Development Corporation Special Revenue Fund, and changes in net pension asset and obligation as well as schedule of contributions. Required supplementary information can be found on pages 76 through 82 of this report.

The combining and individual fund statements and schedules are presented following the required supplementary information. These combining and individual statements and schedules can be found on pages 85 through 93 of this report.

Government-wide Financial Analysis

With the implementation of GASB Statements Nos. 68 and 71, comparable information for the year ended September 30, 2014 is not available, therefore, only one year is presented. Beginning with September 30, 2016 financial statements, comparative information will resume.

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 9,792,225 as of September 30, 2015.

The largest portion of the City's net position (51.79%) reflects its investments in capital assets (e.g., land, buildings, water and sewer infrastructure, equipment, vehicles, and construction in progress, less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2015

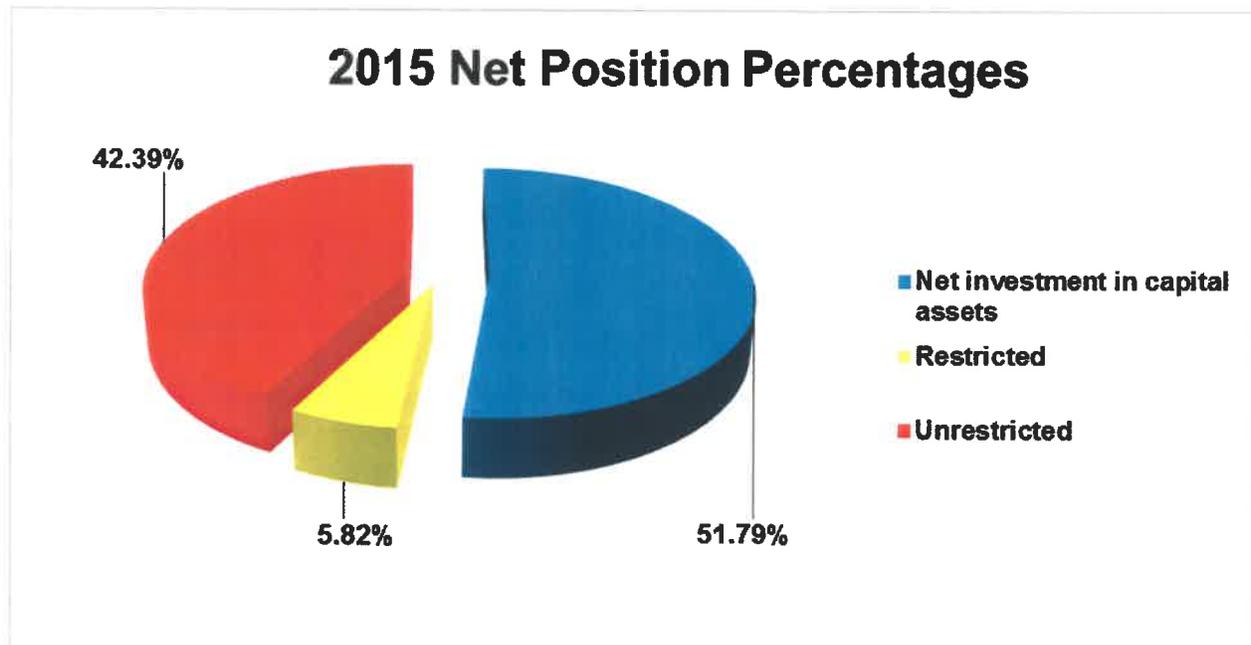
CITY OF WEST COLUMBIA'S NET POSITION

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Totals</u> |
|--|------------------------------------|-------------------------------------|-------------------------------|
| | <u>September 30, 2015</u> | <u>September 30, 2015</u> | <u>September 30, 2015</u> |
| Current and other assets | \$ 2,780,219 | \$ 1,561,359 | \$ 4,341,578 |
| Noncurrent assets | 573,195 | 168,325 | 741,520 |
| Capital assets | <u>2,229,510</u> | <u>3,063,278</u> | <u>5,292,788</u> |
| Total assets | <u>5,582,924</u> | <u>4,792,962</u> | <u>10,375,886</u> |
| Deferred outflows of resources | <u>56,353</u> | <u>15,030</u> | <u>71,383</u> |
| Total deferred outflows of resources | <u>56,353</u> | <u>15,030</u> | <u>71,383</u> |
| Current and other liabilities | 96,939 | 212,762 | 309,701 |
| Long-term liabilities | <u>275,858</u> | <u>8,283</u> | <u>284,141</u> |
| Total liabilities | <u>372,797</u> | <u>221,045</u> | <u>593,842</u> |
| Deferred inflows of resources | <u>48,879</u> | <u>12,323</u> | <u>61,202</u> |
| Total deferred inflows of resources | <u>48,879</u> | <u>12,323</u> | <u>61,202</u> |
| Net Position: | | | |
| Net investment in capital assets | 2,008,139 | 3,063,278 | 5,071,417 |
| Restricted | 522,582 | 46,940 | 569,522 |
| Unrestricted | <u>2,686,880</u> | <u>1,464,406</u> | <u>4,151,286</u> |
| Total net position | <u>\$ 5,217,601</u> | <u>\$ 4,574,624</u> | <u>\$ 9,792,225</u> |

An additional portion of the City's net position of \$ 569,522 (5.82%) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position of \$ 4,151,286 (42.39%) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2015, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate categories—governmental and business-type activities.

CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2015



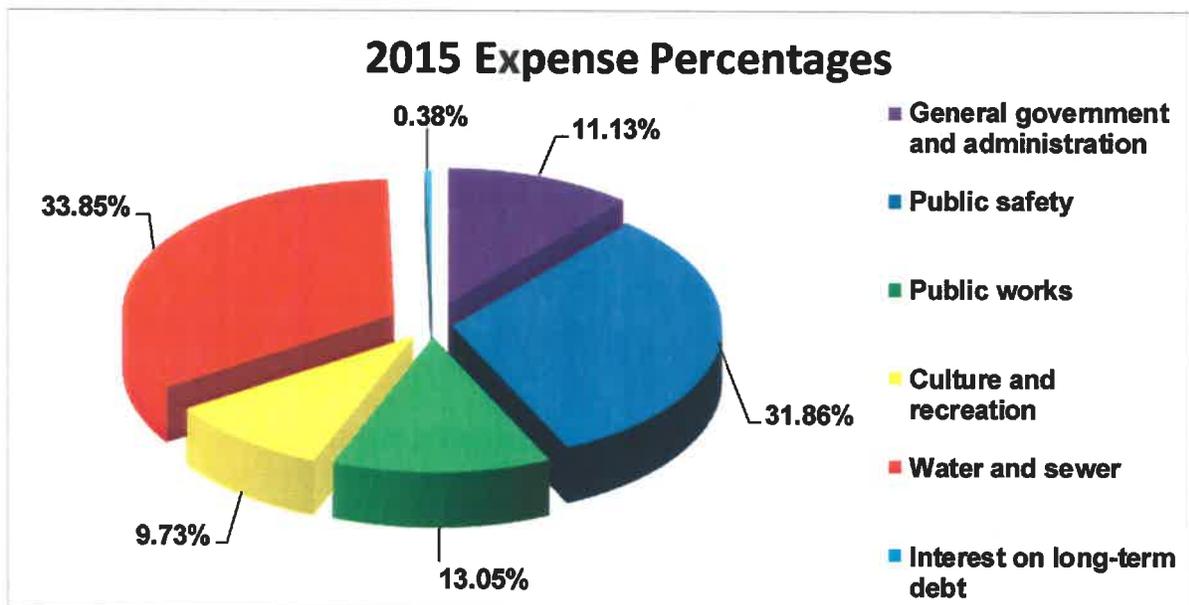
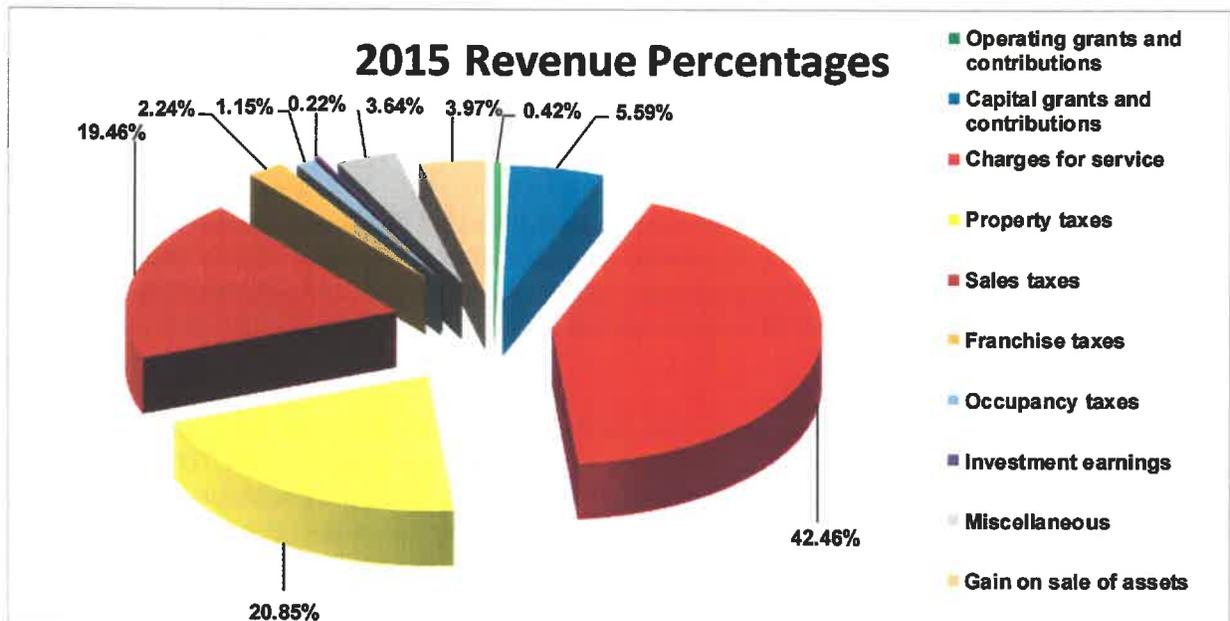
Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2015. Business-type activities increased the City's net position by \$ 272,092. Governmental activities increased the City's net position by \$ 1,023,335.

CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2015

CITY OF WEST COLUMBIA'S CHANGES IN NET POSITION

| | Governmental Activities | Business-type Activities | Totals |
|---|----------------------------|-----------------------------|-----------------------|
| | September 30, 2015 | September 30, 2015 | September 30, 2015 |
| Revenues: | | | |
| Program Revenues: | | | |
| Charges for services | \$ 678,196 | \$ 1,456,007 | \$ 2,134,203 |
| Operating grants and contributions | 21,050 | | 21,050 |
| Capital grants and contributions | 75,628 | 205,500 | 281,128 |
| General Revenues: | | | |
| Property taxes | 1,047,887 | | 1,047,887 |
| Sales taxes | 977,960 | | 977,960 |
| Franchise fees | 112,505 | | 112,505 |
| Occupancy taxes | 57,913 | | 57,913 |
| Investment earnings | 7,140 | 4,241 | 11,381 |
| Miscellaneous | 65,129 | 117,954 | 183,083 |
| Gain on disposition of assets | 199,756 | | 199,756 |
| Total revenues | <u>3,243,164</u> | <u>1,783,702</u> | <u>5,026,866</u> |
| Expenses: | | | |
| General government and administration | 415,296 | | 415,296 |
| Public safety | 1,188,749 | | 1,188,749 |
| Public works | 486,914 | | 486,914 |
| Culture and recreation | 363,225 | | 363,225 |
| Water and sewer | | 1,263,107 | 1,263,107 |
| Interest on long-term debt | 14,148 | | 14,148 |
| Total expenses | <u>2,468,332</u> | <u>1,263,107</u> | <u>3,731,439</u> |
| Increase in net position before transfers | 774,832 | 520,595 | 1,295,427 |
| Transfers | 248,503 | (248,503) | -0- |
| Increase in net position | 1,023,335 | 272,092 | 1,295,427 |
| Net position, Beginning | <u>4,194,266</u> | <u>4,302,532</u> | <u>8,496,798</u> |
| Net position, Ending | <u>\$ 5,217,601</u> | <u>\$ 4,574,624</u> | <u>\$ 9,792,225</u> |

CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2015



CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 2,545,230. 41.71% of this total amount, \$ 1,061,706 constitutes *unassigned fund balance*. The remainder of fund balance is *non-spendable, restricted or assigned* to indicate that it is not available for spending because it has already been classified 1) for prepaid items \$ 17,550, 2) economic development \$ 941,776, 3) capital improvement \$ 427,654, 4) debt service \$ 14,814, 5) contributor purposes \$ 1,616, 6) municipal court technology \$ 15,986, 7) municipal court security \$ 50,912, 8) child safety \$ 5,099, 9) police department \$ 6,424 and 10) vehicle replacement \$ 1,693.

The General Fund balance increased by \$ 283,784; Economic Development Corporation Fund balance increased by \$ 320,771, and the Capital Improvement Fund balance increased by \$ 36,818. The non-major governmental funds fund balance increased by \$ 14,515.

Proprietary funds. As mentioned earlier, the City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Net position at September 30, 2015 amounted to \$ 4,574,624. Total net position increased \$ 272,092 (or 6.32%).

CITY OF WEST COLUMBIA, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2015

General Fund Budgetary Highlights. Differences between the original budget and the final amended budget resulted in a \$ 39,240 increase in appropriations and can be summarized as follows:

- \$ 16,290 decrease in general government and administration
- \$ 27,100 increase in public safety
- \$ 24,275 increase in public works
- \$ 4,705 increase in culture and recreation
- \$ 600 decrease in capital outlay
- \$ 50 increase in debt service

Differences between the original budget and the final amended budget resulted in a \$ 92,767 increase in revenues and can be summarized as follows:

- \$ 32,513 increase in taxes
- \$ 11,500 increase in revenue producing facilities
- \$ 276 decrease in fines and fees
- \$ 28,460 increase in intergovernmental revenues
- \$ 20,570 increase in miscellaneous income

Because revenues and expenditures exceeded budgetary estimates, the City's net change (increase) in fund balance was more than the budgeted amount by \$ 266,880 due to increase in revenues and decrease in expenditures.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2015, amounts to \$ 5,292,788 (net of accumulated depreciation). This investment in capital assets includes land, buildings, water and sewer infrastructure, equipment, vehicles and construction in progress.

Capital Assets at Year-end Net of Accumulated Depreciation

| | Governmental Activities September 30, 2015 | Business-type Activities September 30, 2015 | Totals September 30, 2015 |
|--------------------------------|---|--|---------------------------------|
| Land | \$ 432,930 | \$ 41,750 | \$ 474,680 |
| Buildings | 1,013,635 | 110,766 | 1,124,401 |
| Water and sewer infrastructure | | 2,593,192 | 2,593,192 |
| Equipment | 409,191 | 204,076 | 613,267 |
| Vehicles | 156,005 | 58,464 | 214,469 |
| Construction in progress | 217,749 | 55,030 | 272,779 |
| Total | <u>\$ 2,229,510</u> | <u>\$ 3,063,278</u> | <u>\$ 5,292,788</u> |

CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Additional information on the City's capital assets can be found in Note 7 on pages 57 through 58 of this report.

Debt Administration

At the end of the current fiscal year, the City had a total long-term debt liability of \$ 284,141. Of this amount, \$ 140,000 of tax notes, \$ 78,037 of notes payable, \$ 1,294 of capital leases, \$ 29,622 of net pension obligation, \$ 33,148 of compensated absences, and \$ 2,040 of accrued interest (component of long-term debt) backed by the full faith and credit of the City.

Outstanding Long-Term Debt at Year End

| | Governmental Activities | Business-type Activities | Totals |
|-------------------------------|----------------------------|-----------------------------|-----------------------|
| | September 30, 2015 | September 30, 2015 | September 30, 2015 |
| Tax notes payable | \$ 140,000 | \$ | \$ 140,000 |
| Notes payable | 78,037 | | 78,037 |
| Capital leases | 1,294 | | 1,294 |
| Net pension obligation | 29,622 | | 29,622 |
| Compensated absences | 24,865 | 8,283 | 33,148 |
| Components of Long-Term Debt: | | | |
| Accrued interest payable | <u>2,040</u> | <u></u> | <u>2,040</u> |
| Total | <u>\$ 275,858</u> | <u>\$ 8,283</u> | <u>\$ 284,141</u> |

The City currently does not have any outstanding General Obligation Bonds, but does have a Tax Note and other types of debt outstanding. Additional information on the City's long-term debt can be found in Notes 8 and 9 on pages 58 through 63 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2015-2016 budget, construction at area plants continue resulting in increases in the local sales tax and usage of the City's RV Park. Further increases will be experienced in sales tax and fees with the completion of a new RV Park and Resort which is comprised of approximately 70 RV sites and 70 vacation cabins. This trend should continue over the next couple of years. Ad Valorem taxes should not see a significant change even with the reduction of the tax rate to .8300 per 100 assessed evaluation. The Police Department continues to secure grants for equipment. The 80/20 grant from the Texas Department of Transportation for sidewalk improvements along W. Brazos is to begin and the city's portion is due October 1, 2015.

The enterprise fund will see increases in expenditures for the replacement of a public drinking supply water well to replace one that collapsed in March 2015. The city will seek funding with the US Department of Rural Development Agriculture for the project to include transporting the water from the new well to existing storage tanks. Potential rate increases are possible depending on the type of funding granted from USDRDA.

CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Request for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Manager, P.O. Box 487, 512 E. Brazos, West Columbia, Texas, 77486, or call (979) 345-3123.

CITY OF WEST COLUMBIA

West Columbia, Texas

STATEMENT OF NET POSITION

September 30, 2015

| | Governmental Activities | Business- Type Activities | Total |
|--|-----------------------------|---------------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS: | | | |
| Cash and cash equivalents | \$ 2,406,886 | \$ 1,198,684 | \$ 3,605,570 |
| Taxes receivable, net | 201,068 | | 201,068 |
| Accounts receivable, net | 125,757 | 197,372 | 323,129 |
| Receivables from other governments | 818 | | 818 |
| Internal balances | 28,140 | (28,140) | -0- |
| Inventories | | 44,225 | 44,225 |
| Prepaid items | 17,550 | | 17,550 |
| Restricted Assets: | | | |
| Cash and cash equivalents | | 149,218 | 149,218 |
| Noncurrent Assets: | | | |
| Net pension asset | 573,195 | 168,325 | 741,520 |
| Capital Assets: | | | |
| Land | 432,930 | 41,750 | 474,680 |
| Buildings, net | 1,013,635 | 110,766 | 1,124,401 |
| Water and sewer infrastructure, net | | 2,593,192 | 2,593,192 |
| Equipment, net | 409,191 | 204,076 | 613,267 |
| Vehicles, net | 156,005 | 58,464 | 214,469 |
| Construction in progress | 217,749 | 55,030 | 272,779 |
| Total assets | <u>5,582,924</u> | <u>4,792,962</u> | <u>10,375,886</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows of resources | <u>56,353</u> | <u>15,030</u> | <u>71,383</u> |
| Total deferred outflows of resources | <u>56,353</u> | <u>15,030</u> | <u>71,383</u> |
| LIABILITIES: | | | |
| Accounts payable | 81,962 | 103,193 | 185,155 |
| Accrued wages payable | 14,977 | 7,291 | 22,268 |
| Liabilities payable from restricted assets | | 102,278 | 102,278 |
| Noncurrent Liabilities: | | | |
| Due within one year | 102,760 | 8,283 | 111,043 |
| Due in more than one year | 173,098 | | 173,098 |
| Total liabilities | <u>372,797</u> | <u>221,045</u> | <u>593,842</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows of resources | <u>48,879</u> | <u>12,323</u> | <u>61,202</u> |
| Total deferred inflows of resources | <u>48,879</u> | <u>12,323</u> | <u>61,202</u> |

(continued)

CITY OF WEST COLUMBIA
West Columbia, Texas

STATEMENT OF NET POSITION - Continued

September 30, 2015

| | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> |
|---|------------------------------------|--|---------------------|
| NET POSITION | | | |
| Net investment in capital assets | \$ 2,008,139 | \$ 3,063,278 | \$ 5,071,417 |
| Restricted For: | | | |
| Debt service | 14,814 | | 14,814 |
| Capital improvement | 427,654 | | 427,654 |
| Sewer replacement | | 46,940 | 46,940 |
| Vehicle replacement | 1,693 | | 1,693 |
| Municipal court security and technology | 66,898 | | 66,898 |
| Child safety | 5,099 | | 5,099 |
| Other purposes | 6,424 | | 6,424 |
| Unrestricted | <u>2,686,880</u> | <u>1,464,406</u> | <u>4,151,286</u> |
| Total net position | <u>\$ 5,217,601</u> | <u>\$ 4,574,624</u> | <u>\$ 9,792,225</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF WEST COLUMBIA

West Columbia, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2015

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities: | | | | |
| General government and administration | \$ 415,296 | \$ 45,802 | \$ | \$ |
| Public safety | 1,188,749 | 244,079 | 21,050 | 75,628 |
| Public works | 486,914 | 273,539 | | |
| Culture and recreation | 363,225 | 114,776 | | |
| Interest on long-term debt | <u>14,148</u> | | | |
| Total governmental activities | <u>2,468,332</u> | <u>678,196</u> | <u>21,050</u> | <u>75,628</u> |
| Business-type Activities: | | | | |
| Water and sewer | <u>1,263,107</u> | <u>1,456,007</u> | | <u>205,500</u> |
| Total business-type activities | <u>1,263,107</u> | <u>1,456,007</u> | <u>-0-</u> | <u>205,500</u> |
| Total | <u>\$ 3,731,439</u> | <u>\$ 2,134,203</u> | <u>\$ 21,050</u> | <u>\$ 281,128</u> |
| General Revenues: | | | | |
| Taxes: | | | | |
| Property taxes | | | | |
| Sales taxes | | | | |
| Franchise fees | | | | |
| Occupancy taxes | | | | |
| Investment earnings | | | | |
| Miscellaneous | | | | |
| Gain on disposition of assets | | | | |
| Transfers | | | | |
| Total general revenues and transfers | | | | |
| Change in net position | | | | |
| Net position – beginning (restated) | | | | |
| Net position – ending | | | | |

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and
Changes in Net Position

| Governmental Activities | Business- Type Activities | Total |
|----------------------------|---------------------------------|----------------------|
| \$(369,494) | \$ | \$(369,494) |
| (847,992) | | (847,992) |
| (213,375) | | (213,375) |
| (248,449) | | (248,449) |
| (14,148) | | (14,148) |
| <u>(1,693,458)</u> | <u>-0-</u> | <u>(1,693,458)</u> |
| | 398,400 | 398,400 |
| -0- | 398,400 | 398,400 |
| <u>(1,693,458)</u> | <u>398,400</u> | <u>(1,295,058)</u> |
| 1,047,887 | | 1,047,887 |
| 977,960 | | 977,960 |
| 112,505 | | 112,505 |
| 57,913 | | 57,913 |
| 7,140 | 4,241 | 11,381 |
| 65,129 | 117,954 | 183,083 |
| 199,756 | | 199,756 |
| 248,503 | (248,503) | -0- |
| <u>2,716,793</u> | <u>(126,308)</u> | <u>2,590,485</u> |
| 1,023,335 | 272,092 | 1,295,427 |
| <u>4,194,266</u> | <u>4,302,532</u> | <u>8,496,798</u> |
| <u>\$ 5,217,601</u> | <u>\$ 4,574,624</u> | <u>\$ 9,792,225</u> |

CITY OF WEST COLUMBIA

West Columbia, Texas

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2015

| | <u>General Fund</u> | <u>Economic Development Corporation Fund</u> | <u>Capital Improvement Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|-------------------------|--|---|---|---|
| <u>Assets and Deferred Outflows of Resources</u> | | | | | |
| Assets: | | | | | |
| Cash and cash equivalents | \$ 1,102,229 | \$ 751,712 | \$ 427,654 | \$ 125,291 | \$ 2,406,886 |
| Taxes receivable, net | 142,236 | 49,723 | | 9,109 | 201,068 |
| Receivables from other governments | 818 | | | | 818 |
| Accounts receivable, net | 27,816 | | | | 27,816 |
| Due from other funds | 38,819 | 23,367 | | | 62,186 |
| Prepaid items | 17,550 | | | | 17,550 |
| | <u>1,329,468</u> | <u>824,802</u> | <u>427,654</u> | <u>134,400</u> | <u>2,716,324</u> |
| Total assets | | | | | |
| Deferred Outflows of Resources: | | | | | |
| Deferred outflows of resources | | | | | |
| | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Total deferred outflows of resources | | | | | |
| | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Total assets and deferred outflows of resources | <u>\$ 1,329,468</u> | <u>\$ 824,802</u> | <u>\$ 427,654</u> | <u>\$ 134,400</u> | <u>\$ 2,716,324</u> |
| <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u> | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 81,513 | \$ 449 | | | \$ 81,962 |
| Accrued wages payable | 14,977 | | | | 14,977 |
| Due to other funds | 30,485 | | | 3,561 | 34,046 |
| | <u>126,975</u> | <u>449</u> | <u>-0-</u> | <u>3,561</u> | <u>130,985</u> |
| Total liabilities | | | | | |
| Deferred Inflows of Resources: | | | | | |
| Deferred inflows of resources – | | | | | |
| Property taxes | 39,562 | | | 547 | 40,109 |
| | <u>39,562</u> | <u>-0-</u> | <u>-0-</u> | <u>547</u> | <u>40,109</u> |
| Total deferred inflows of resources | | | | | |

(continued)

CITY OF WEST COLUMBIA
West Columbia, Texas

BALANCE SHEET
GOVERNMENTAL FUNDS - Continued

September 30, 2015

| | General Fund | Economic Development Corporation Fund | Capital Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|---|-----------------|--|--------------------------------|--------------------------------|--------------------------------|
| Fund Balances: | | | | | |
| Non-Spendable: | | | | | |
| Prepaid items | \$ 17,550 | \$ | \$ | \$ | \$ 17,550 |
| Restricted: | | | | | |
| Economic development | | 824,353 | | 117,423 | 941,776 |
| Capital improvement | | | 427,654 | | 427,654 |
| Debt service | | | | 14,814 | 14,814 |
| Contributor purposes | | | | 1,616 | 1,616 |
| Municipal court technology | 15,986 | | | | 15,986 |
| Municipal court security | 50,912 | | | | 50,912 |
| Child safety | 5,099 | | | | 5,099 |
| Police department | 6,424 | | | | 6,424 |
| Assigned: | | | | | |
| Vehicle replacement | 1,693 | | | | 1,693 |
| Unassigned | 1,065,267 | _____ | _____ | (3,561) | 1,061,706 |
| Total fund balances | 1,162,931 | 824,353 | 427,654 | 130,292 | 2,545,230 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 1,329,468 | \$ 824,802 | \$ 427,654 | \$ 134,400 | \$ 2,716,324 |

The notes to the financial statements are an integral part of this statement.

CITY OF WEST COLUMBIA
West Columbia, Texas

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION**

September 30, 2015

| | |
|---|---------------------|
| Total fund balances – governmental funds balance sheet | \$ 2,545,230 |
| Amounts reported for <i>governmental activities</i> in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 3,951,051 in assets less \$ 1,721,541 in accumulated depreciation. | 2,229,510 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred inflows of resources – property taxes for the general fund and the debt service fund amounted to \$ 39,562 and \$ 547, respectively. | 40,109 |
| Municipal court receivables unavailable to pay for current period expenditures are not recognized in the governmental funds. Municipal court receivables, net of allowance, total \$ 97,941 (\$ 979,410 less allowance for uncollectibles of \$ 881,469). | 97,941 |
| Pension assets are not reported in the funds | 573,195 |
| Pension deferred outflows of resources of \$ 64,670 less amortization of \$ 8,317 and pension deferred inflows of resources of \$ 82,011 less amortization of \$ 33,132. | 7,474 |
| Payables for net pension obligation are not reported in the funds. | (29,622) |
| Payables for tax note principal are not reported in the funds. | (140,000) |
| Payables for tax note interest are not reported in the funds. | (1,932) |
| Payables for note principal are not reported in the funds. | (78,037) |
| Payables for note interest are not reported in the funds. | (62) |
| Payables for capital lease principal are not reported in the funds. | (1,294) |
| Payables for capital lease interest are not reported in the funds. | (46) |
| Payables for compensated absences are not reported in the funds. | <u>(24,865)</u> |
| Net position of governmental activities – statement of net position. | <u>\$ 5,217,601</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF WEST COLUMBIA
West Columbia, Texas

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2015

| | General Fund | Economic Development Corporation Fund | Capital Improvement Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|--|--------------------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| Taxes | \$ 1,812,033 | \$ 325,987 | \$ | \$ 58,291 | \$ 2,196,311 |
| Revenue producing facilities | 408,266 | | | | 408,266 |
| Fines and fees | 241,953 | | | | 241,953 |
| Licenses and permits | 19,242 | | | | 19,242 |
| Intergovernmental revenue | 96,678 | | | | 96,678 |
| Miscellaneous | <u>71,148</u> | <u>5,535</u> | <u>1,569</u> | <u>626</u> | <u>78,878</u> |
| Total revenues | <u>2,649,320</u> | <u>331,522</u> | <u>1,569</u> | <u>58,917</u> | <u>3,041,328</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General Government and Administrative | 428,796 | | | | 428,796 |
| Public safety | 1,160,175 | | | | 1,160,175 |
| Public works | 481,220 | | 3,408 | | 484,628 |
| Culture and recreation | 235,837 | 75,607 | | 12,091 | 323,535 |
| Capital outlay | 112,632 | | 217,749 | | 330,381 |
| Debt Service: | | | | | |
| Principal | 35,535 | 240,000 | | 40,000 | 315,535 |
| Interest and fiscal charges | <u>2,766</u> | <u>13,110</u> | | <u>4,968</u> | <u>20,844</u> |
| Total expenditures | <u>2,456,961</u> | <u>328,717</u> | <u>221,157</u> | <u>57,059</u> | <u>3,063,894</u> |
| Excess (deficiency) of revenues over expenditures | <u>192,359</u> | <u>2,805</u> | <u>(219,588)</u> | <u>1,858</u> | <u>(22,566)</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | 176,488 | | 256,406 | 44,145 | 477,039 |
| Transfers out | (122,048) | (75,000) | | (31,488) | (228,536) |
| Sale of real and personal property | | 392,966 | | | 392,966 |
| Issuance of loan | <u>36,985</u> | | | | <u>36,985</u> |
| Total other financial sources | <u>91,425</u> | <u>317,966</u> | <u>256,406</u> | <u>12,657</u> | <u>678,454</u> |
| Net change in fund balances | 283,784 | 320,771 | 36,818 | 14,515 | 655,888 |
| Fund balances – beginning | <u>879,147</u> | <u>503,582</u> | <u>390,836</u> | <u>115,777</u> | <u>1,889,342</u> |
| Fund balances – ending | <u>\$ 1,162,931</u> | <u>\$ 824,353</u> | <u>\$ 427,654</u> | <u>\$ 130,292</u> | <u>\$ 2,545,230</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF WEST COLUMBIA
West Columbia, Texas

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2015

| | | |
|--|----|-------------------------|
| Net change in fund balances – total governmental funds | \$ | 655,888 |
| Amounts reported for <i>governmental activities</i> in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$ 330,381 exceeded depreciation expense of \$ 115,956. | | 214,425 |
| Governmental funds report pension payments as expenditures. However, in the governmental activities statement of activities, the pension cost is calculated by an actuary and involves multiple factors. The amount of pension expense reported was \$ 73,130 less than the amount reported in the funds. | | 73,130 |
| Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. Cost of the assets disposed \$ 193,210 exceeded accumulated depreciation of \$ -0-. | (| 193,210) |
| Note proceeds provide financial resources to governmental funds, but issuing debt increases long-term liabilities in the governmental activities statement of net position. The amount of proceeds is \$ 36,985. | (| 36,985) |
| Pension deferred outflows of resources of \$ 42,704, less amortization of \$ 8,317, and pension deferred inflows of resources of \$ 82,011, less amortization of \$ 31,380. | (| 16,244) |
| Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund increased by \$ 112 and decreased for the debt service fund by \$ 158. | (| 46) |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net assets. These amounts were for general obligation bonded debt of \$ 240,000; tax notes of \$ 40,000, loans of \$ 32,535 and capital leases of \$ 3,000. | | 315,535 |
| Municipal court revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the governmental funds. Municipal court receivables, net of allowance, increased by \$ 2,126. | | 2,126 |
| Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount of the change in accrued interest on long-term debt of \$ 6,696. | | 6,696 |
| Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences of \$ 2,020. | | <u>2,020</u> |
| Change in net position of governmental activities | \$ | <u><u>1,023,335</u></u> |

The notes to the financial statements are an integral part of this statement.

THIS PAGE LEFT BLANK INTENTIONALLY.

CITY OF WEST COLUMBIA
West Columbia, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUND

September 30, 2015

| | <u>Enterprise Fund</u> |
|---------------------------------------|----------------------------|
| <u>Assets</u> | |
| Current Assets: | |
| Cash and cash equivalents | \$ 1,198,684 |
| Accounts receivable, net | 197,372 |
| Due from other funds | 7,118 |
| Inventory | <u>44,225</u> |
| Total current unrestricted assets | <u>1,447,399</u> |
| Restricted Assets: | |
| Cash and cash equivalents | <u>149,218</u> |
| Total current restricted assets | <u>149,218</u> |
| Total current assets | <u>1,596,617</u> |
| Noncurrent Assets: | |
| Net pension asset | <u>168,325</u> |
| Total noncurrent assets | <u>168,625</u> |
| Capital Assets: | |
| Property, plant and equipment | 7,621,743 |
| Construction in progress | 55,030 |
| Accumulated depreciation | <u>(4,613,495)</u> |
| Net capital assets | <u>3,063,278</u> |
| Total assets | <u>4,828,220</u> |
| <u>Deferred Outflows of Resources</u> | |
| Deferred outflows of resources | <u>15,030</u> |
| Total deferred outflows of resources | <u>15,030</u> |

(Continued)

CITY OF WEST COLUMBIA
West Columbia, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUND - Continued

September 30, 2015

| | <u>Enterprise Fund</u> |
|---|----------------------------|
| <u>Liabilities</u> | |
| Current Liabilities: | |
| Accounts payable | \$ 103,193 |
| Accrued wages payable | 7,291 |
| Compensated absences | 8,283 |
| Due to other funds | <u>35,258</u> |
| Total current unrestricted liabilities | 154,025 |
| Current Liabilities Payable From Restricted Assets: | |
| Customer meter deposits | <u>102,278</u> |
| Total liabilities | <u>256,303</u> |
| <u>Deferred Inflows of Resources</u> | |
| Deferred inflows of resources | <u>12,323</u> |
| Total deferred inflows of resources | <u>12,323</u> |
| <u>Net Position</u> | |
| Invested in capital assets, net of related debt | 3,063,278 |
| Restricted For: | |
| Sewer replacement | 46,940 |
| Unrestricted | <u>1,464,406</u> |
| Total net position | <u>\$ 4,574,624</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF WEST COLUMBIA
West Columbia, Texas

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - PROPRIETARY FUND**

For the Year Ended September 30, 2015

| | <u>Enterprise Fund</u> |
|---|----------------------------|
| Operating Revenues: | |
| Water service | \$ 664,914 |
| Sewer charges | 621,650 |
| Varner Creek Utility District | 169,443 |
| Miscellaneous | <u>117,954</u> |
| Total operating revenues | <u>1,573,961</u> |
| Operating Expenses: | |
| Water production | 206,875 |
| Water distribution | 329,491 |
| Water administration | 126,158 |
| Sewer collection | 98,074 |
| Sewer treatment plant | 335,952 |
| Depreciation | <u>166,557</u> |
| Total operating expenses | <u>1,263,107</u> |
| Operating income | <u>310,854</u> |
| Non-Operating Revenues (Expenses): | |
| Interest revenue | <u>4,241</u> |
| Total non-operating revenues (expenses) | <u>4,241</u> |
| Income before contributions and transfers | 315,095 |
| Capital contributions | 205,500 |
| Transfers out | <u>(248,503)</u> |
| Change in net position | 272,092 |
| Net position – beginning (restated) | <u>4,302,532</u> |
| Net position – ending | <u>\$ 4,574,624</u> |

The notes to the financial statements are an integral part of this statement.

THIS PAGE LEFT BLANK INTENTIONALLY.

CITY OF WEST COLUMBIA
West Columbia, Texas

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND**

For the Year Ended September 30, 2015

| | <u>Enterprise Fund</u> |
|---|----------------------------|
| Cash Flows from Operating Activities: | |
| Receipts from customers | \$ 1,557,155 |
| Receipts from other funds | 10,797 |
| Payments to suppliers | (514,207) |
| Payments to employees | <u>(543,117)</u> |
| Net cash provided by operating activities | <u>510,628</u> |
| Cash Flows from Non-Capital Financing Activities: | |
| Operating transfers to other funds | <u>(248,503)</u> |
| Net cash used for non-capital financing activities | <u>(248,503)</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Purchases of capital assets | <u>(55,030)</u> |
| Net cash used by capital and related financing activities | <u>(55,030)</u> |
| Cash Flows from Investing Activities: | |
| Interest received | <u>4,241</u> |
| Net cash provided by investing activities | <u>4,241</u> |
| Net increase in cash and cash equivalents | 211,336 |
| Balances – beginning of year | <u>1,136,566</u> |
| Balances – end of the year | <u>\$ 1,347,902</u> |

(Continued)

CITY OF WEST COLUMBIA
West Columbia, Texas

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - Continued**

For the Year Ended September 30, 2015

| | <u>Enterprise Fund</u> |
|---|----------------------------|
| Reconciliation of Operating Income to Net Cash Provided by | |
| Operating Activities: | |
| Operating income | \$ 310,854 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by | |
| Operating Activities: | |
| Depreciation | 166,557 |
| Changes in Assets and Liabilities: | |
| Receivable, net | (19,536) |
| Due from other funds | (2,127) |
| Inventory | 1,007 |
| Accounts payable | 50,717 |
| Accrued expenses payable | 4,054 |
| Due to other funds | 12,924 |
| Pension liability | (16,552) |
| Customer deposits | <u>2,730</u> |
| Net cash provided by operating activities | <u>\$ 510,628</u> |
| Non-Cash Investing, Capital and Financing Activities: | |
| Capital improvements – Grants | \$ 205,500 |
| Capital contributions | <u>(205,500)</u> |
| Net effect of non-cash transactions | <u>\$ -0-</u> |

The notes to the financial statements are an integral part of this statement.

THIS PAGE LEFT BLANK INTENTIONALLY.

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

INDEX

| Note | Page |
|--|------|
| 1. Summary of Significant Accounting Policies | 40 |
| 2. Change in Accounting Principles and Prior Period Adjustment | 50 |
| 3. Deposits, Investments and Derivatives | 51 |
| 4. Receivables and Uncollectible Accounts | 53 |
| 5. Deferred Inflows of Resources and Unearned Revenue | 54 |
| 6. Interfund Receivables, Payables and Transfers | 55 |
| 7. Capital Assets | 57 |
| 8. Long-Term Debt | 58 |
| 9. Leases | 62 |
| 10. Texas Municipal Retirement System Pension Plan | 63 |
| 11. Texas Emergency Services Retirement System Pension Plan | 68 |
| 12. Risk-Pool Participation | 72 |
| 13. Deficit Fund Balances | 72 |
| 14. Repurchase Option on Real Estate | 72 |
| 15. Evaluation of Subsequent Events | 73 |

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of West Columbia (the "City") operates under General Law as embodied in the Texas Local Government Code and was incorporated in 1938. The City operates under a Council-Mayor form of government and provides the following services as authorized by state law: public, streets and drainage, health and social services, culture-recreation, public services and improvements and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State And Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

Financial Reporting Entity

The basic financial statements of the City include the primary government organizations, for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The decision to include a potential component unit in the reporting entity was made by applying the criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*.

Included in the reporting entity:

City of West Columbia (Primary government)

The City operates under a General Law. The City operates under a Council-Manager form of government and provides the following services as authorized by state law: public safety, streets and drainage, health and social services, culture-recreation, public services and improvements and general administrative services.

The following entity was found to be a component unit of the City and is included in the basic financial statements:

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Reporting Entity - Continued

West Columbia Economic Development Corporation (the "Corporation")

The City created the Corporation for the purpose of promoting parks, drainage and street improvements, and economic development within the City. The Corporation's governing board is substantially the same as the governing body of the City. There are seven directors, two of whom are members of the City Council. The remaining five members are residents of the City or the County. All Board members are appointed by the City Council. The Corporation is authorized to sell bonds or other forms of indebtedness. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City. The Corporation provides all of its services to the City. A blended presentation has been used to report the financial information of this component unit. The Corporation is presented as a special revenue fund. The financial information for the Corporation is available from the City.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report financial information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. The City does not have any fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor governmental funds are combined and reported in a separate column in the fund financial statements. The City has only one proprietary fund.

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, municipal court revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the government.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and the unrestricted resources as needed.

The City has presented the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The *Economic Development Corporation (Special Revenue Fund)* accounts for specific projects and expenditures for the improvement of the City. Sales taxes and private donations provide the resources to fund these projects.

The *Capital Improvement (Capital Projects Fund)* accounts for the various projects ongoing for improvements to the City's infrastructure, primarily water and sewer systems.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation - Continued

The City reports the following major proprietary fund:

The Enterprise Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted, if necessary, to ensure integrity of the funds.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. The City also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system.

Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

New Pronouncements

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27", was issued June 2012. The management of the City does believe that the implementation of this statement will have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2014.

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - Continued

GASB Statement No. 69, "Government Combinations and Disposals of Government Operations", was issued January 2013. The management of the City does not believe that the implementation of this statement will have a material effect on the financial statements of the City. This statement is effective for periods beginning after December 15, 2013.

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees", was issued April 2013. This statement is effective for periods beginning after June 15, 2013. The statement was implemented and did not have an impact on the City's financial statements.

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68", was issued November 2013. The management of the City believes that the implementation of this statement will have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2014.

GASB No. 72, "Fair Value Measurement and Application" was issued February 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City, however there will be additional disclosures related to Fair Values. This statement is effective for periods beginning after June 15, 2015.

GASB No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of Statements 67 and 68" was issued June 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2016.

GASB No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" was issued June 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2016.

GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was issued June 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2017.

GASB No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" was issued June 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after June 15, 2015.

GASB No. 77 "Tax Abatement Disclosures" was issued in August 2015. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. This statement is effective for periods beginning after December 15, 2015.

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data

All departments of the City submit requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund and includes requested appropriations for the next year. The proposed budget is presented to the Mayor and City Council for review. The City Council holds budget workshops and may add to, subtract from, or change appropriations. A public hearing is held prior to adoption.

Once the budget is adopted, expenditures may not legally exceed total appropriations at the fund level. Line item and department budgets may exceed appropriated amounts at the discretion of the City Council as long as total expenditures for the fund do not exceed appropriated amounts. Revisions to the budget were made during the year. Appropriations not exercised in the current year lapse at the end of the year.

The City adopts annual budgets for all governmental fund types (General Fund, Special Revenue Funds, Capital Improvement Fund, and Debt Service Fund) and the proprietary fund type (Enterprise Fund).

Financial statements in this report are based on the legally enacted basis (modified accrual basis with certain exceptions) and the generally accepted accounting principles (GAAP basis). The financial statements prepared on the legally enacted basis differs from the GAAP basis statements on an individual fund basis as follows:

Enterprise Fund -

1. Principal payments on bonds are recorded as a current year expense as opposed to a reduction of the principal balance on the balance sheet (GAAP).
2. Capital expenditures are recorded as current year expense as opposed to being capitalized and depreciated over the estimated useful life of the asset (GAAP).
3. Capital contributions.

The following schedules reconcile the difference between the City's legally enacted basis and the GAAP basis:

| | 2015 |
|---------------------------------------|------------|
| Enterprise Fund: | |
| Change in net position - GAAP basis | \$ 272,092 |
| Depreciation | 166,557 |
| Actuarial pension adjustments | (16,554) |
| Capital contribution | (205,500) |
| Capital outlay | (55,030) |
| | \$ 161,565 |
| Change in net position - budget basis | \$ 161,565 |

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized. Encumbrances outstanding at year-end are reported as a reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. There were no outstanding encumbrances at September 30, 2015.

Cash and Cash Equivalents and Investments

Cash and temporary investments include amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City. For purposes of the cash flow statement, cash and temporary investments are considered cash equivalents. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are stated at fair value. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements, and other such securities or obligations as allowed in the Public Funds Investment Act (PFIA) as amended and approved by the City's Council. The City's management believes it complied with the requirements of the PFIA and the City's investment policies.

Inventory

Inventory is valued at cost and consists primarily of utility meters and supplies. The consumption method of inventory is employed by the City, whereby the purchases of these supplies are charged directly to inventory for control and then expended as consumed.

Compensated Absences

The City's sick leave policy provides twelve paid sick days per year. The City does not pay for any unused sick leave upon termination, resignation or retirement. The City pays full time personnel 50% of their unused sick time the last month of the calendar year. The amount of any expense, which may occur, resulting from utilization of unused sick leave, cannot be determined as of September 30, 2015.

Eligible City employees accrue vacation time annually at various rates based on length of service with the City. Vacation time can be accrued on January 1 of each year.

The City offers comp time for hours actually worked above 40 hours per week, at the discretion of each Department Head. Comp time reported is the amount of time to be paid at the employee's regular rate. For example, if an employee works 42 hours in a work week, he/she may be paid for 40 hours at their regular rate and earn 3 hours of comp time or be paid 40 hours at their regular rate and 2 hours at 1 ½ times their regular rate. This is a voluntary program and employees have the option to be paid for overtime hours or receive comp time. Employees may accumulate up to 240 hours of comp time for all departments, except the police department. The police department employees may accumulate up to 480 hours of comp time. At the end of the fiscal year (September 30), employees will be paid for any comp time accumulated over the maximums. Employees who leave the employment of the City will receive payment for any unused comp time at the time of their departure.

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The estimated liabilities include required salary related payments. Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and is included in wages and benefits payable. As of September 30, 2015, there were no matured compensated absences reported in the governmental funds. Maturing compensated absences payable in the Governmental Activities totaled \$ 24,865 at September 30, 2015. Accrued compensated absences reported in the Enterprise Fund at September 30, 2015 totaled \$ 8,283.

Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and water and sewer infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest cost to be capitalized on assets with tax-exempt borrowing is equal to the cost of the borrowing less interest earned on the related tax-exempt borrowing. During the year ended September 30, 2015, no capitalized interest was recorded.

Assets capitalized have an original cost of \$ 5,000 or more and over two years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

| | |
|--------------------------------|------------|
| Buildings | 40 Years |
| Equipment | 15 Years |
| Vehicles | 7-15 Years |
| Water and Sewer Infrastructure | 30 Years |

Salvage values are utilized to eliminate the complete depreciation of assets that remain in use beyond their estimated useful lives.

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The appraisal and recording of all property within the City is the responsibility of the Brazoria County Appraisal District (BCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. BCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the City, may challenge orders of the BCAD Review Board through various appeals and, if necessary, legal action.

The assessed value of the property tax roll on July 11, 2014, upon which the levy for the 2014-15 fiscal year was based, was \$ 119,390,615. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rate assessed to finance general fund operations was \$ 0.831900 per \$ 100 valuation for the year ended September 30, 2015.

Current tax collections for the year ended September 30, 2015 were 97.48% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2015, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 42,789 and \$ 564 for the general and debt service funds, respectively.

Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and Texas Emergency Services Retirement System (TESRS) and additions to/deductions from TMRS's and TESRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and TESRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are unearned and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The City has not recorded any bond premiums and discounts. Bond issuance costs are reported as expenditures or expenses in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

The City Council meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The City's Unassigned General Fund Balance is maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the City Council. Fund Balance of the City may be committed for a specific source by formal action of the City Council. Amendments or modifications of the committed fund balance must also be approved by formal action by the City Council. When it is appropriate for fund balance to be assigned, the City Council has delegated authority to the Mayor or City Manager. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, followed by assigned fund balance, and lastly, unassigned fund balance.

The City implemented GASB 54, "Fund Balance, Reporting and Governmental Fund Type Definitions", for its governmental funds. Under GASB 54, fund balances are required to be reported according to the following classifications:

Non-spendable Fund Balance – Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance – Constraints placed on the use of these resources are either externally imposed by creditors (such as through covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions enabling legislation).

Committed Fund Balance – Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity - Continued

Assigned Fund Balance – Amounts that are constrained by the City's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all government funds with positive balances.

Unassigned Fund Balance – This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

As of September 30, 2015, non-spendable fund balances include \$ 17,550 for prepaid items in the general fund. Restricted fund balances include \$ 941,776 for economic development, \$ 427,654 for the capital improvement fund, \$ 14,814 for the debt service fund, \$ 1,616 for contributor purposes, \$ 15,986 for municipal court technology, \$ 50,912 for municipal court security, \$ 5,099 for child safety, and \$ 6,424 for the police department. There were no committed fund balances. Assigned fund balances include \$ 1,693 for vehicle replacement. Unassigned fund balance includes \$ 1,061,706 in the general fund.

Net Position

Net position represents the differences between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2015, the District implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27", and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – and amendment of GASB No. 68". GASB Statement No. 68 establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. GASB Statement 71, amendment of GASB Statement No. 68, addresses the issue regarding application of the transition provisions. It requires a government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a government employer makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, it requires that the government recognize its contribution as a deferred outflow of resources. The following represents the retroactive restatement of net position as a result of implementation of GASB Statements No. 68 and 71 and prior period adjustment as noted above:

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT - Continued

| | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | <u>Total</u> |
|---|--|---|-------------------------|
| Net position, September 30, previously reported | \$ 3,700,105 | \$ 4,148,052 | \$ 7,848,157 |
| Addition of outflows of resources – subsequent pension contributions | 29,625 | 6,498 | 36,123 |
| Addition of net pension asset | 503,922 | 147,982 | 651,904 |
| Addition of net pension obligation | <u>(39,386)</u> | <u> </u> | <u>(39,386)</u> |
| Total | <u>\$ 4,194,266</u> | <u>\$ 4,302,532</u> | <u>\$ 8,496,798</u> |

Information was not available to restate the September 30, 2013 net position or the changes in net position for the year ended September 30, 2014, therefore, the MD&A presentation does not report comparative statements for the year ended September 30, 2014. Further, this change in accounting principle had no effect on governmental fund fund balance or changes in fund balance.

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES

The City classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of more than one year. See Note 1 for additional Governmental Accounting Standards Board Statement No. 3 disclosures.

Cash and cash equivalents, current investments, and non-current investments as reported on the statement of net position at September 30, 2015 are as follows:

| | <u>Unrestricted</u> | <u>Restricted</u> | <u>Total</u> |
|---------------------------------|-------------------------|-----------------------|-------------------------|
| Cash and Temporary Investments: | | | |
| Cash (petty cash accounts) | \$ 750 | \$ | \$ 750 |
| Financial Institution Deposits: | | | |
| Demand deposits | <u>3,604,820</u> | <u>149,218</u> | <u>3,754,038</u> |
| Total | <u>\$ 3,605,570</u> | <u>\$ 149,218</u> | <u>\$ 3,754,788</u> |

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to them. The City requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Deposits - Continued

At September 30, 2015, in addition to petty cash of \$ 750, the carrying amount of the City's cash, savings, and time deposits was \$ 3,754,038. The financial institutions balances were \$ 3,844,729 at September 30, 2015. Bank balances of \$ 250,000 were covered by federal depository insurance, and \$ 3,594,729 was covered by collateral pledged in the District's name. The collateral was held in safekeeping departments of unrelated banks, which act as the pledging bank's agent.

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to the investment policy, which is approved by City Council. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes an "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the City will deposit funds is addressed. The City's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The City's management believes it complied with the requirements of the PFIA and the City's investment policy.

The City's Investment Officer submits an investment report each quarter to the City Council. The report details the investment positions of the City and the compliance of the investment portfolio as they relate to both the adopted investment strategy statements and Texas State law.

The City is authorized to invest in the following investment instruments provided they meet the guidelines of the investment policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. A securities lending program as permitted by Government Code 2256.0115;
5. Banker's acceptances as permitted by Government Code 2256.012;
6. Commercial paper as permitted by Government Code 2256.013;
7. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;
8. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and
9. Public funds investment pools as permitted by Government Code 2256.016.

At September 30, 2015, the City held no investments.

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 3 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The City made no direct investments in derivatives during the year ended September 30, 2015, and holds no direct investments in derivatives at September 30, 2015.

NOTE 4 - RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

Receivables as of September 30, 2015, for the government's individual governmental major funds and proprietary fund including the applicable allowances for uncollectible accounts are as follows:

| | Governmental Funds | | | Total |
|------------------------------------|--------------------|--|--------------------------------|------------|
| | General Fund | Economic Development Corporation Fund | Other Governmental Funds | |
| Receivables: | | | | |
| Property taxes | \$ 81,596 | \$ | \$ 5,113 | \$ 86,709 |
| Hotel occupancy tax | | | 8,545 | 8,545 |
| Sales taxes | 99,447 | 49,723 | | 149,170 |
| Receivables from other governments | 818 | | | 818 |
| Other | 27,816 | | | 27,816 |
| Gross receivables | 209,677 | 49,723 | 13,658 | 273,058 |
| Less Allowance for Uncollectibles: | | | | |
| Property taxes | 38,807 | | 4,549 | 43,356 |
| Net total receivables | \$ 170,870 | \$ 49,723 | \$ 9,109 | \$ 229,702 |
| | | | Proprietary Fund | |
| Receivables: | | | | |
| Accounts: | | | | |
| Customers | | | | \$ 237,682 |
| Other | | | | 31,151 |
| Gross receivables | | | | 268,833 |
| Less Allowance for Uncollectibles: | | | | |
| Customers | | | | 71,461 |
| Net total receivables | | | | \$ 197,372 |

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 4 - RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS - Continued

Municipal Court Receivables

Municipal court receivables are reported in the governmental activities statement of net position. Since these receivables do not represent current available resources, they are not reported in the governmental funds balance sheet. The allowance for uncollectible receivables related to municipal court assessments is determined based on historical experience and evaluation of collectibility in relation to the aging of customer accounts. The allowance for uncollectible receivables for the year ended September 30, 2015 was \$ 881,469.

NOTE 5 - DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE

Governmental funds defer the recognition of revenue in connection with receivables for revenues that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of September 30, 2015, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

| | <u>Deferred Inflows of Resources (Unavailable)</u> |
|--|--|
| Delinquent property taxes receivable (general fund) | \$ 39,562 |
| Delinquent property taxes receivable (debt service fund) | <u>547</u> |
| Total deferred inflows of resources | <u>\$ 40,109</u> |

Governmental and Business-Type Activities

Governmental and business-type activities defer the recognition of pension expense for contributions made from the measurement date (December 31, 2014) to the current year-end of September 30, 2015 and report these as deferred outflows of resources. Governmental and business-type activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental and business-type activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of September 30, 2015, the various components of deferred inflows and outflows of resources reported in the governmental and business-type activities were as follows:

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 5 - DEFERRED INFLOWS OF RESOURCES AND UNEARNED REVENUE - Continued

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| <u>Governmental Activities</u> | | |
| TMRS deferred inflows and outflows of resources less current amortization | \$ 24,954 | \$ 41,961 |
| TESRS deferred inflows and outflows of resources less current amortization | | 6,918 |
| Pension contributions subsequent to the measurement date | <u>31,399</u> | |
| Totals | <u>\$ 56,353</u> | <u>\$ 48,879</u> |

There were no unearned revenues reported in the governmental activities as of September 30, 2015.

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| <u>Business-Type Activities</u> | | |
| TMRS deferred inflows and outflows of resources less current amortization | \$ 7,328 | \$ 12,323 |
| Pension contributions subsequent to the measurement date | <u>7,702</u> | |
| Totals | <u>\$ 15,030</u> | <u>\$ 12,323</u> |

There were no unearned revenues reported in the business-type activities as of September 30, 2015.

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at September 30, 2015 consisted of the following individual fund receivables and payables:

| <u>Fund</u> | <u>Receivable</u> | <u>Payable</u> |
|--|-------------------|------------------|
| <u>General Fund:</u> | | |
| Economic Development Corporation Fund | \$ | \$ 23,367 |
| Capitol Park Fund | 3,561 | |
| Enterprise Fund | <u>35,258</u> | <u>7,118</u> |
| Total General Fund | <u>38,819</u> | <u>30,485</u> |
| <u>Special Revenue Funds:</u> | | |
| Economic Development Corporation Fund: | | |
| General Fund | 23,367 | |
| Capitol Park Fund: | | |
| General Fund | | <u>3,561</u> |
| Total Special Revenue Funds | <u>23,367</u> | <u>3,561</u> |
| <u>Enterprise Fund:</u> | | |
| General Fund | <u>7,118</u> | <u>35,258</u> |
| Total Enterprise Fund | <u>7,118</u> | <u>35,258</u> |
| Total | <u>\$ 69,304</u> | <u>\$ 69,304</u> |

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - Continued

Interfund transfers for the year ended September 30, 2015 consisted of the following individual fund transfers in and transfers out:

| <u>Fund</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|--|-------------------------|--------------------------|
| General Fund: | | |
| Special Revenue Funds: | | |
| Economic Development Corporation Fund | \$ 75,000 | \$ |
| Hotel Occupancy Tax Fund | 31,488 | |
| Capital Improvement Fund | | 79,403 |
| Debt Service Fund | | 42,645 |
| Enterprise Fund | <u>70,000</u> | |
| Total General Fund | <u>176,488</u> | <u>122,048</u> |
| Debt Service Fund: | | |
| General Fund | 42,645 | |
| Enterprise Fund | <u>1,500</u> | |
| Total Debt Service Fund | <u>44,145</u> | <u>-0-</u> |
| Special Revenue Funds: | | |
| Economic Development Corporation Fund: | | |
| General Fund | | 75,000 |
| Hotel Occupancy Tax: | | |
| General Fund | | <u>31,488</u> |
| Total Special Revenue Funds | <u>-0-</u> | <u>106,488</u> |
| Capital Improvement Fund: | | |
| General Fund | 79,403 | |
| Debt Service Fund | <u>177,003</u> | |
| Total Capital Improvement Fund | <u>256,406</u> | <u>-0-</u> |
| Enterprise Fund: | | |
| General Fund | | 70,000 |
| Debt Service Fund | | 1,500 |
| Capital Improvement Fund | | <u>177,003</u> |
| Total Enterprise Fund | <u>-0-</u> | <u>248,503</u> |
| Total | <u>\$ 477,039</u> | <u>\$ 477,039</u> |

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 7 - CAPITAL ASSETS

Capital Asset Activity

Capital asset activity for the year ended September 30, 2015, was as follows:

| | <u>Balance</u> <u>10/01/14</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>09/30/15</u> |
|---|-----------------------------------|-------------------|--------------------|-----------------------------------|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 626,140 | \$ | \$ 193,210 | \$ 432,930 |
| Construction in progress | <u>40,922</u> | <u>293,396</u> | <u>116,569</u> | <u>217,749</u> |
| Total capital assets, not being depreciated | <u>667,062</u> | <u>293,396</u> | <u>309,779</u> | <u>650,679</u> |
| Capital Assets: | | | | |
| Buildings | 1,868,930 | | | 1,868,930 |
| Equipment | 553,451 | 116,569 | | 670,020 |
| Vehicles | <u>724,437</u> | <u>36,985</u> | | <u>761,422</u> |
| Total capital assets, being depreciated | <u>3,146,818</u> | <u>153,554</u> | <u>-0-</u> | <u>3,300,372</u> |
| Accumulated Depreciation: | | | | |
| Buildings | 818,795 | 36,500 | | 855,295 |
| Equipment | 226,780 | 34,049 | | 260,829 |
| Vehicles | <u>560,010</u> | <u>45,407</u> | | <u>605,417</u> |
| Total accumulated depreciation | <u>1,605,585</u> | <u>115,956</u> | <u>-0-</u> | <u>1,721,541</u> |
| Total capital assets being depreciated, net | <u>1,541,233</u> | <u>37,598</u> | <u>-0-</u> | <u>1,578,831</u> |
| Governmental activities capital assets, net | <u>\$ 2,208,295</u> | <u>\$ 330,994</u> | <u>\$ 309,779</u> | <u>\$ 2,229,510</u> |
| | <u>Balance</u> <u>10/01/14</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>09/30/15</u> |
| Business-type Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 41,750 | \$ | \$ | \$ 41,750 |
| Construction in progress | | <u>55,030</u> | | <u>55,030</u> |
| Total capital assets, not being depreciated | <u>41,750</u> | <u>55,030</u> | <u>-0-</u> | <u>96,780</u> |
| Capital Assets: | | | | |
| Buildings | 238,000 | | | 238,000 |
| Equipment | 311,531 | | | 311,531 |
| Vehicles | 175,088 | | | 175,088 |
| Water and sewer infrastructure | <u>6,649,874</u> | <u>205,500</u> | | <u>6,855,374</u> |
| Total capital assets being depreciated | <u>7,374,493</u> | <u>205,500</u> | <u>-0-</u> | <u>7,579,993</u> |

(continued)

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 7 - CAPITAL ASSETS - Continued

Capital Asset Activity - Continued

| | <u>Balance</u> <u>10/01/14</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>09/30/15</u> |
|--|-----------------------------------|------------------|--------------------|-----------------------------------|
| Accumulated Depreciation: | | | | |
| Buildings | \$ 123,983 | \$ 3,251 | \$ | \$ 127,234 |
| Equipment | 87,203 | 20,252 | | 107,455 |
| Vehicles | 105,456 | 11,168 | | 116,624 |
| Water and sewer infrastructure | <u>4,130,296</u> | <u>131,886</u> | | <u>4,262,182</u> |
| Total accumulated depreciation | <u>4,446,938</u> | <u>166,557</u> | <u>-0-</u> | <u>4,613,495</u> |
| Total capital assets being depreciated, net | <u>2,927,555</u> | <u>38,943</u> | <u>-0-</u> | <u>2,966,498</u> |
| Business-type activities capital assets, net | <u>\$ 2,969,305</u> | <u>\$ 93,973</u> | <u>\$ -0-</u> | <u>\$ 3,063,278</u> |

Depreciation

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|---|-------------------|
| Governmental Activities: | |
| General administration | \$ 4,272 |
| Public safety | 69,007 |
| Public works | 2,987 |
| Culture and recreation | <u>39,690</u> |
| Total depreciation expense-governmental activities | <u>\$ 115,956</u> |
| Business-type Activities: | |
| Water and sewer | <u>\$ 166,557</u> |
| Total depreciation expense-business-type activities | <u>\$ 166,557</u> |

NOTE 8 - LONG-TERM DEBT

General Long-Term Debt

General long-term debt, which consists of sales tax revenue bonds maturing serially, tax notes, and notes payable, which are summarized as follows:

Sales Tax Revenue Bonds Payable:

| Sales Tax Revenue Bonds | Interest Rate (%) | <u>Issued</u> | <u>Series Date</u> Maturity | <u>Callable</u> | Bonds Outstanding 9-30-15 |
|---|----------------------|---------------|--------------------------------|-----------------|---------------------------------|
| Sales Tax Revenue Bonds - Series 2009 | 5.5% | 2009 | 2019 | - | <u>\$ -0-</u> |

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 8 - LONG-TERM DEBT - Continued

General Long-Term Debt - Continued

Sales tax revenue bond transactions for the year ended September 30, 2015 are as follows:

| | |
|---|-----------------------------|
| Bonds outstanding, October 1, 2014 | \$ 240,000 |
| Maturities | (240,000) |
| Bonds outstanding, September 30, 2015 | \$ <u> -0-</u> |

The City has paid the remaining principal balance of the sales tax revenue bonds as of September 30, 2015.

Tax Note

In June 2011, the City was approved for a tax note for \$ 300,000 with an interest rate of 2.76%. The proceeds of this tax note were used for the repair and replacement of the City's water and sewer lines.

Tax note payable transactions for the year ended September 30, 2015 are as follows:

| | |
|--|---------------------------------|
| Tax note payable, October 1, 2014 | \$ 180,000 |
| Maturities | (40,000) |
| Tax note outstanding, September 30, 2015 | \$ <u> 140,000</u> |

Presented below is a summary of tax note payable requirements to maturity:

| Year Ended September 30, | Principal | Interest | Total |
|-----------------------------|-----------------------|---------------------|-----------------------|
| 2016 | \$ 45,000 | \$ 3,864 | \$ 48,864 |
| 2017 | 45,000 | 2,622 | 47,622 |
| 2018 | <u>50,000</u> | <u>1,380</u> | <u>51,380</u> |
| Total | <u>\$ 140,000</u> | <u>\$ 7,866</u> | <u>\$ 147,866</u> |

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 8 - LONG-TERM DEBT - Continued

General Long-Term Debt - Continued

In June 2014, the City was approved for a loan for \$ 37,837 with an interest rate of 2.99%. The proceeds of this loan were used to purchase a police vehicle. The City is required to make forty-eight monthly payments of \$ 838 beginning in July 2014.

Note payable transactions for the year ended September 30, 2015 are as follows:

| | |
|--------------------------------------|----------------------|
| Note payable, October 1, 2014 | \$ 35,601 |
| Maturities | (<u>9,107</u>) |
| Note payable, September 30, 2015 | \$ <u>26,494</u> |

Aggregate maturities of these notes payable for the years subsequent to September 30, 2015 are as follows:

| Year Ended September 30, | Principal | Interest | Total |
|-----------------------------|----------------------|---------------------|----------------------|
| 2016 | \$ 9,384 | \$ 663 | \$ 10,047 |
| 2017 | 9,668 | 379 | 10,047 |
| 2018 | <u>7,442</u> | <u>93</u> | <u>7,535</u> |
| Total | \$ <u>26,494</u> | \$ <u>1,135</u> | \$ <u>27,629</u> |

Total interest paid for the year ended September 30, 2015 was \$ 940.

In September 2011, the City was approved for a loan for \$ 29,657 with an interest rate of 3.99%. The proceeds of this loan were used to purchase a phone system. The City is required to make forty-eight monthly payments of \$ 670 beginning in October 2011.

Note payable transactions for the year ended September 30, 2015 are as follows:

| | |
|--------------------------------------|-------------------|
| Note payable, October 1, 2014 | \$ 7,868 |
| Maturities | (<u>7,868</u>) |
| Note payable, September 30, 2015 | \$ <u>-0-</u> |

Total interest paid for the year ended September 30, 2015 was \$ 237.

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 8 - LONG-TERM DEBT - Continued

General Long-Term Debt - Continued

In December 2013, the City was approved for a loan for \$ 36,661 with an interest rate of 2.99%. The proceeds of this loan were used to purchase a police vehicle. The City is required to make forty-eight monthly payments of \$ 812 beginning in January 2014.

Note payable transactions for the year ended September 30, 2015 are as follows:

| | | |
|----------------------------------|----|---------------|
| Note payable, October 1, 2014 | \$ | 30,118 |
| Maturities | | (8,957) |
| Note payable, September 30, 2015 | \$ | <u>21,161</u> |

Aggregate maturities of these notes payable for the years subsequent to September 30, 2015 are as follows:

| Year Ended September 30, | Principal | Interest | Total |
|-----------------------------|------------------|---------------|------------------|
| 2016 | \$ 9,229 | \$ 506 | \$ 9,735 |
| 2017 | 9,508 | 227 | 9,735 |
| 2018 | <u>2,424</u> | <u>13</u> | <u>2,435</u> |
| Total | \$ <u>21,159</u> | \$ <u>746</u> | \$ <u>21,905</u> |

Total interest paid for the year ended September 30, 2015 was \$ 778.

In December 2014, the City was approved for a loan for \$ 36,985 with an interest rate of 2.99%. The proceeds of this loan were used to purchase a police vehicle. The City is required to make forty-eight monthly payments of \$ 819 beginning in January 2015.

Note payable transactions for the year ended September 30, 2015 are as follows:

| | | |
|----------------------------------|----|---------------|
| Note payable, October 1, 2014 | \$ | -0- |
| Issuances | | 36,985 |
| Maturities | | (6,603) |
| Note payable, September 30, 2015 | \$ | <u>30,382</u> |

Aggregate maturities of these notes payable for the years subsequent to September 30, 2015 are as follows:

| Year Ended September 30, | Principal | Interest | Total |
|-----------------------------|------------------|-----------------|------------------|
| 2016 | \$ 9,036 | \$ 785 | \$ 9,821 |
| 2017 | 9,310 | 511 | 9,821 |
| 2018 | 9,593 | 228 | 9,821 |
| 2019 | <u>2,443</u> | <u>14</u> | <u>2,457</u> |
| Total | \$ <u>30,382</u> | \$ <u>1,538</u> | \$ <u>31,920</u> |

Total interest paid for the year ended September 30, 2015 was \$ 669.

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 8 - LONG-TERM DEBT - Continued

Summary of Long-Term Debt Transactions

Transactions for the year ended September 30, 2015 are summarized as follows:

| | <u>Balance</u> <u>10/01/14</u> | <u>Issues or</u> <u>Additions</u> | <u>Payments or</u> <u>Expenditures</u> | <u>Balance</u> <u>09/30/15</u> | <u>Due Within</u> <u>One Year</u> |
|---------------------------------------|-----------------------------------|--------------------------------------|---|-----------------------------------|--------------------------------------|
| Governmental Type Activities: | | | | | |
| Sales tax revenue bonds | \$ 240,000 | \$ | \$ 240,000 | \$ -0- | \$ -0- |
| Tax note payable | 180,000 | | 40,000 | 140,000 | 40,000 |
| Note payable | 73,587 | 36,985 | 32,535 | 78,037 | 27,649 |
| Leases payable | 4,294 | | 3,000 | 1,294 | 1,294 |
| Net pension obligation | 39,386 | 15,369 | 25,133 | 29,622 | 6,912 |
| Compensated absences | 26,885 | 24,865 | 26,885 | 24,865 | 24,865 |
| Component of Bonded Debt: | | | | | |
| Accrued interest payable | <u>8,736</u> | <u>2,040</u> | <u>8,736</u> | <u>2,040</u> | <u>2,040</u> |
| Total governmental activities | <u>572,888</u> | <u>79,259</u> | <u>376,289</u> | <u>275,858</u> | <u>102,760</u> |
| Business Type Activities: | | | | | |
| Compensated absences | <u>6,298</u> | <u>8,283</u> | <u>6,298</u> | <u>8,283</u> | <u>8,283</u> |
| Total business type activities | <u>6,298</u> | <u>8,283</u> | <u>6,298</u> | <u>8,283</u> | <u>8,283</u> |
| Total government (net) | <u>\$ 579,186</u> | <u>\$ 87,542</u> | <u>\$ 382,587</u> | <u>\$ 284,141</u> | <u>\$ 111,043</u> |

NOTE 9 - LEASES

Capital Leases

In March 2011, the City entered into a lease-purchase agreement for a copier for the police department. The City financed \$ 13,928 over five year with an interest rate of 4.84%. The City is required to make monthly payments of \$ 262 for five years. The first payment was due April 2011. Interest paid on this lease in 2015 was \$ 142.

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 9 - LEASES - Continued

Capital Leases - Continued

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments, as of September 30, 2015:

| Year Ended September 30, | Amount |
|---|----------|
| 2016 | \$ 1,309 |
| | 1,309 |
| Less amount representing interest | (15) |
| Net present value of minimum lease payments | \$ 1,294 |

The assets acquired through capital leases are as follows:

| | Governmental Activities |
|--------------------------------|----------------------------|
| Assets: | |
| Vehicles | \$ 227,589 |
| Less: Accumulated depreciation | (204,830) |
| Total | \$ 22,759 |
| | |
| Equipment | \$ 141,231 |
| Less: Accumulated depreciation | (75,344) |
| Total | \$ 65,887 |

NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN

A. Plan Description

The City of West Columbia participates as one of 860 plans in the nontraditional, join contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publically available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the city are required to participate in TMRS.

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Member may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of each city, within the options available in the state statutes governing TMRS. Members in most cities can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. Some cities have elected retirement eligibility with 25 years of service regardless of age. Most plans also provide death benefits and all provide disability benefits. Effective January 1, 2002, members are vested after 5 years, unless a city opted to maintain 10-year vesting. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

Employees covered by benefit terms. At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 17 |
| Inactive employees entitled to but not yet receiving benefits | 27 |
| Active employees | <u>33</u> |
| | 77 |

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City of West Columbia were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of West Columbia were 2.98% and 2.99% in the calendar years 2014 and 2015, respectively. The City's contributions to TMRS for the year ended September 30, 2015, were \$ 36,818, and were equal to the required contributions.

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions.

| | |
|---------------------------|---|
| Inflation | 3.0% per year |
| Overall payroll growth | 3.0% per year |
| Investment Rate of Return | 7.0%, net of pension plan investment expense, including inflation |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long term-expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Net Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Equities: | | |
| Domestic | 17.5% | 4.80% |
| International | 17.5% | 6.05% |
| Fixed Income: | | |
| Core | 30.0% | 1.50% |
| Non-Core | 10.0% | 3.50% |
| Real Return | 5.0% | 1.75% |
| Real Estate | 10.0% | 5.25% |
| Absolute Return | 5.0% | 4.25% |
| Private Equity | 5.0% | 8.50% |
| Total | 100.0% | |

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefits payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

| | <u>Increase (Decrease)</u> | | |
|---|--|--|--|
| | <u>Total Pension Liability</u> <u>(a)</u> | <u>Plan Fiduciary Net Position</u> <u>(b)</u> | <u>Net Pension Liability/(Asset)</u> <u>(a)-(b)</u> |
| Balance at 12/31/2013 | \$ 3,550,244 | \$ 4,202,148 | \$(651,904) |
| Changes for the Year: | | | |
| Service cost | 119,823 | | 119,823 |
| Interest | 247,297 | | 247,297 |
| Change of benefit terms | 14,964 | | 14,964 |
| Difference between expected and actual experience | (135,474) | | (135,474) |
| Contributions – employer | | 36,818 | (36,818) |
| Contributions – employee | | 61,775 | (61,775) |
| Net investment income | | 240,348 | (240,348) |
| Benefit payment, including refunds of | | | |
| Employee contributions | (184,600) | (184,600) | -0- |
| Administrative expense | | (2,510) | 2,510 |
| Other changes | | (205) | 205 |
| Net changes | 62,010 | 151,626 | (89,616) |
| Balance at 12/31/2014 | \$ 3,612,254 | \$ 4,353,774 | \$(741,520) |

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

Sensitivity of the net pension liability to changes in the discount rate.

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what's the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

| | 1% Decrease In Discount Rate (6.0%) | Discount Rate (7.0%) | 1% Increase In Discount Rate (8.0%) |
|------------------------------|---|-------------------------|---|
| City's Net Pension Liability | \$(330,254) | \$(741,520) | \$(1,089,372) |
| Changes For the Year: | | | |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issues TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the city recognized pension expense of \$(960).

At September 30, 2015, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ | \$ 54,284 |
| Difference between projected and actual investment earnings | 32,282 | |
| Contributions subsequent to the measurement date | 29,668 | |
| Total | \$ 61,950 | \$ 54,284 |

\$ 29,668 reported as deferred outflows of resources related to pensions relating from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2015. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 10 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

| Year Ended September 30, | | | |
|-----------------------------|-----|---------|--|
| 2016 | \$(| 29,835) | |
| 2017 | \$(| 2,929) | |
| 2018 | \$ | 10,762 | |
| 2019 | | -0- | |
| 2020 | | -0- | |
| Thereafter | | -0- | |

NOTE 11 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN

A. Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the "System") established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. Of the nine member Board of Trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2014, there were 198 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

On August 31, 2014, the pension system membership consisted of:

| | |
|---|-------|
| Retirees and Beneficiaries Currently Receiving Benefits | 3,073 |
| Terminated Members Entitled to Benefits by Not Yet Receiving Them | 2,161 |
| Active Participants (Vested and Nonvested) | 4,036 |

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vested requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 11 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

B. Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$ 36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2014, the Part Two contribution rate is 0% since the first actuarial valuation report after adoption of the rules showed the System to have an adequate contribution arrangement without any Part Two Contributions.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased in over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who are pensioners when their respective departments merged with the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2015

NOTE 11 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

C. Contributions

The contribution requirement per active emergency services personnel members per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2014, the total contributions (dues, prior service, and interest on prior service financing) of \$ 6,912 were paid into TESRS by the City.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed in subsection D below.

The actuarial valuation as of August 31, 2014 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$ 625,000 each year to pay for part of the System's administrative expenses. On August 31, 2014, the actuarial liabilities exceeded the actuarial assets by \$ 26,093,761.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of August 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | 3.50% per year |
| Salary increases | N/A |
| Investment Rate of Return | 7.75%, net of pension plan investment expense, including inflation |

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2018 by scale AA.

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 11 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (3.50%). In addition, the final 7.75% assumption reflected a reduction of 0.20% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Net Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Equities: | | |
| Large cap domestic | 32% | 5.2% |
| Small cap domestic | 10% | 5.8% |
| Developed international | 21% | 5.5% |
| Emerging markets | 6% | 5.4% |
| Master limited partnerships | 5% | 7.1% |
| Fixed Income: | | |
| Domestic | 21% | 1.4% |
| International | 5% | 1.6% |
| Cash | 0% | 0.0% |
| Total | 100% | |

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2014 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. That UAAL was based on an actuarial value of assets that was \$ 7.9 million less than the plan fiduciary net position as of August 31, 2014. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 11 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM PENSION PLAN - Continued

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

| | 1% Decrease In Discount Rate (6.75%) | Discount Rate (7.75%) | 1% Increase In Discount Rate (8.75%) |
|------------------------------|--|--------------------------|--|
| City's Net Pension Liability | \$ 48,647 | \$ 29,622 | \$ 10,597 |

NOTE 12 - RISK- POOL PARTICIPATION

The City is a participant in the Texas Municipal League Intergovernmental Risk Pool for coverage of property and worker's compensation claims. The City pays monthly/annual premiums to the pool for the coverage stated. The agreement with the Texas Municipal League Intergovernmental Risk Pool requires the pool to be self-sustaining. Therefore, the City's exposure for claims is designated to be limited to their deductible.

NOTE 13 - DEFICIT FUND BALANCES

As of September 30, 2015, the City had a deficit fund balance as itemized below:

| | 2015 |
|-------------------------|----------|
| Fund Balances: | |
| Special Revenues Funds: | |
| Capitol Park | \$ 3,561 |

Deficit fund balances will either be offset by future revenues or reimbursed by other funds. The special revenue funds would be reimbursed by the General Fund.

NOTE 14 - REPURCHASE OPTION ON REAL ESTATE

On January 14, 2015, the City received \$ 392,966 for the sale of approximately 2.808 acres of land. This transaction included a repurchase option whereby the City may repurchase the land and/or the purchaser may exercise the option if conditions are not met by January 1, 2017.

CITY OF WEST COLUMBIA
West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2015

NOTE 15 - EVALUATION OF SUBSEQUENT EVENTS

On November 17, 2015, the City purchased two police vehicles through a promissory note for \$ 73,748. The note requires forty-eight monthly payments of \$ 1,634 beginning on December 20, 2015 and maturing on November 20, 2019.

The City has evaluated subsequent events through February 19, 2016, the date which the financial statements were available to be issued.

THIS PAGE LEFT BLANK INTENTIONALLY.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WEST COLUMBIA

West Columbia, Texas

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND AND ECONOMIC DEVELOPMENT CORPORATION
FUND**

For the Year Ended September 30, 2015

| | General Fund | | | Variance with Final Budget Positive (Negative) |
|---|------------------|------------------|------------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 1,640,400 | \$ 1,672,913 | \$ 1,812,033 | \$ 139,120 |
| Revenue producing facilities | 370,450 | 381,950 | 408,266 | 26,316 |
| Fines and fees | 288,140 | 287,864 | 241,953 | (45,911) |
| Licenses and permits | 19,255 | 19,255 | 19,242 | (13) |
| Intergovernmental revenue | 74,250 | 102,710 | 96,678 | (6,032) |
| Miscellaneous | 29,390 | 49,960 | 71,148 | 21,188 |
| Total revenues | 2,421,885 | 2,514,652 | 2,649,320 | 134,668 |
| Expenditures: | | | | |
| Current: | | | | |
| General Government and Administrative: | | | | |
| Administrative | 153,625 | 157,685 | 152,487 | 5,198 |
| Legislative | 90,700 | 45,850 | 42,909 | 2,941 |
| Legal | 16,220 | 28,720 | 27,827 | 893 |
| Municipal court | 120,395 | 127,410 | 123,709 | 3,701 |
| Finance | 77,315 | 82,300 | 81,864 | 436 |
| Public Safety: | | | | |
| Police | 1,029,585 | 1,044,820 | 1,008,845 | 35,975 |
| Fire | 65,470 | 68,525 | 55,449 | 13,076 |
| Fire marshal | 48,645 | 57,455 | 55,082 | 2,373 |
| Emergency medical services | 40,800 | 40,800 | 40,799 | 1 |
| Public Works: | | | | |
| Streets and drainage | 225,105 | 249,380 | 225,015 | 24,365 |
| Sanitation | 257,000 | 257,000 | 256,205 | 795 |
| Culture and Recreation: | | | | |
| Community development | | | | |
| Library | 44,355 | 46,505 | 43,733 | 2,772 |
| Parks and recreation | 207,125 | 209,680 | 192,104 | 17,576 |
| Capital outlay | 74,500 | 73,900 | 112,632 | (38,732) |
| Debt Service: | | | | |
| Principal | 35,905 | 35,955 | 35,535 | 420 |
| Interest and fiscal charges | 2,795 | 2,795 | 2,766 | 29 |
| Total expenditures | 2,489,540 | 2,528,780 | 2,456,961 | 71,819 |

CITY OF WEST COLUMBIA

West Columbia, Texas

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
GENERAL FUND AND ECONOMIC DEVELOPMENT CORPORATION
FUND - Continued**

For the Year Ended September 30, 2015

| | General Fund | | | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|---------------------|---|
| | Budgeted Amounts | | Actual | |
| | Original | Final | | |
| Excess (deficiency) of revenues over expenditures | \$ (67,655) | \$ (14,128) | \$ 192,359 | \$ 206,487 |
| Other Financing Sources (Uses): | | | | |
| Transfers in | 174,100 | 174,100 | 176,488 | 2,388 |
| Transfers out | (142,645) | (143,068) | (122,048) | 21,020 |
| Issuance of loan | | | 36,985 | 36,985 |
| Sale of real and personal property | | | | |
| Total other financing sources | <u>31,455</u> | <u>31,032</u> | <u>91,425</u> | <u>60,393</u> |
| Net change in fund balances | (36,200) | 16,904 | 283,784 | 266,880 |
| Fund balances – beginning | <u>879,147</u> | <u>879,147</u> | <u>879,147</u> | <u>-0-</u> |
| Fund balances – ending | <u>\$ 842,947</u> | <u>\$ 896,051</u> | <u>\$ 1,162,931</u> | <u>\$ 266,880</u> |

Economic Development Corporation Fund

| Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-------------------|-------------------|-------------------|---|
| Original | Final | | |
| \$ 75,000 | \$(123,050) | \$ 2,805 | \$ 125,855 |
| (75,000) | (75,000) | (75,000) | -0- |
| | 392,965 | 392,966 | -0- |
| | 317,965 | 317,966 | 1 |
| (75,000) | 317,965 | 317,966 | 1 |
| -0- | 194,915 | 320,771 | 125,856 |
| 503,582 | 503,582 | 503,582 | -0- |
| <u>\$ 503,582</u> | <u>\$ 698,497</u> | <u>\$ 824,353</u> | <u>\$ 125,856</u> |

CITY OF WEST COLUMBIA

West Columbia, Texas

**TMRS SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE LAST TEN YEARS (1)
SEPTEMBER 30, 2015 WITH MEASUREMENT DATE OF DECEMBER 31, 2014**

| | <u>2015</u> |
|--|-------------------------|
| Service cost | \$ 119,823 |
| Interest (on the Total Pension Liability) | 247,297 |
| Changes in benefit terms | 14,964 |
| Difference between expected and actual experience | (135,474) |
| Benefit payments, including refunds of employee contributions | <u>(184,600)</u> |
| Net Change in Total Pension Liability | 62,010 |
| Total Pension Liability – Beginning | <u>3,550,244</u> |
| Total Pension Liability – Ending (a) | <u>\$ 3,612,254</u> |
| Contributions – Employer | \$ 36,818 |
| Contributions – Employee | 61,775 |
| Net Investment Income | 240,348 |
| Benefit payments, including refunds of employee contributions | (184,600) |
| Administrative expense | (2,510) |
| Other | <u>(205)</u> |
| Net Change in Plan Fiduciary Net Position | 151,626 |
| Plan Fiduciary Net Position – Beginning | <u>4,202,148</u> |
| Plan Fiduciary Net Position – Ending (b) | <u>\$ 4,353,774</u> |
| Net Pension Liability/(Asset) (a-b) | \$(741,520) |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 120.53% |
| Covered Employee Payroll | \$ 1,235,509 |
| Net Pension Liability/(Asset) as a Percentage of Covered Employee Payroll | (60.02%) |

Notes to Schedule:

N/A

(1) The first TMRS actuarial report was completed for the year ended December 31, 2014 (measurement date), therefore, only one year of required supplemental information is available.

CITY OF WEST COLUMBIA
West Columbia, Texas

TMRS SCHEDULE OF CONTRIBUTIONS
FOR THE LAST TEN YEARS (1)
SEPTEMBER 30, 2015 WITH MEASUREMENT DATE OF DECEMBER 31, 2014

| | 2015 |
|--|---------------------|
| Actuarially determined contribution | \$ 36,818 |
| Contributions in relation to the actuarially determined contribution | 36,818 |
| Contribution deficiency (excess) | \$ <u>-0-</u> |
| Covered-employee payroll | \$ <u>1,235,509</u> |
| Contributions as a percentage of covered-employee payroll | 2.98% |

Notes to Schedule of Contributions

Valuation date

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|-------------------------------|---|
| Actuarial cost method | Entry age normal |
| Amortization method | Level Percentage of Payroll, Closed |
| Remaining Amortization period | 25 years |
| Asset valuation method | 10 Year smoothed market; 15% soft corridor |
| Inflation | 3.0% |
| Salary increases | 3.50% to 12.00% including inflation |
| Investment rate of return | 7.00% |
| Retirement Age | Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 – 2009. |
| Mortality | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generated basis with scale BB |

Other Information

Notes Adopted 20 year, any age retirement eligibility

(1) The first TMRS actuarial report was completed for the year ended December 31, 2014 (measurement date), therefore, only one year of required supplemental information is available.

CITY OF WEST COLUMBIA
West Columbia, Texas

**TESRS SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE LAST TEN YEARS (1)
SEPTEMBER 30, 2015 WITH MEASUREMENT DATE OF DECEMBER 31, 2014**

| | 2015 |
|---|-------------------|
| Service cost | \$ 2,796 |
| Interest (on the Total Pension Liability) | 12,318 |
| Changes in benefit terms | |
| Difference between expected and actual experience | |
| Changes in assumptions | |
| Benefit payments, including refunds of employee contributions | (6,377) |
| Net Change in Total Pension Liability | 8,737 |
| Total Pension Liability – Beginning (2) | <u>159,343</u> |
| Total Pension Liability – Ending (a) | <u>\$ 168,080</u> |
| Contributions by the City | \$ 6,912 |
| Contributions by the State | |
| Net Investment Income | 18,221 |
| Benefit payments, including refunds of employee contributions | (6,377) |
| Administrative expense | (255) |
| Other | |
| Net Change in Plan Fiduciary Net Position | 18,501 |
| Plan Fiduciary Net Position – Beginning | <u>119,957</u> |
| Plan Fiduciary Net Position – Ending (b) | <u>\$ 138,458</u> |
| Net Pension Liability (a-b) | \$ 29,622 |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 82.38% |
| Number of Active Members (3) | N/A |
| System's Net Pension Liability per Active Member | N/A |

Notes to Schedule:

- (1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.
- (2) Determined from the end of year total pension liability using the roll back procedure allowed for the initial year of implementing GASB 67.
- (3) There is no compensation for active members.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**

THIS PAGE LEFT BLANK INTENTIONALLY.

CITY OF WEST COLUMBIA
West Columbia, Texas

COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS

September 30, 2015

| | Special Revenue Funds | | | | Total Nonmajor Governmental Funds |
|---|-------------------------------|-----------------------------------|-----------------------------|-----------------------------|--|
| | Replica and Museum Fund | Hotel Occupancy Tax Fund | Capitol Park Fund | Debt Service Fund | |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Assets: | | | | | |
| Cash and cash equivalents | \$ 1,616 | \$ 108,878 | \$ | \$ 14,797 | \$ 125,291 |
| Taxes receivable, net | <u> </u> | <u>8,545</u> | <u> </u> | <u>564</u> | <u>9,109</u> |
| Total assets | <u>1,616</u> | <u>117,423</u> | <u>-0-</u> | <u>15,361</u> | <u>134,400</u> |
| Deferred Outflows of Resources: | | | | | |
| Deferred outflows of resources | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total deferred outflows of resources | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> |
| Total assets and deferred outflows of resources | <u>\$ 1,616</u> | <u>\$ 117,423</u> | <u>\$ -0-</u> | <u>\$ 15,361</u> | <u>\$ 134,400</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Due to other funds | \$ | \$ | \$ 3,561 | \$ | \$ 3,561 |
| Total liabilities | <u>-0-</u> | <u>-0-</u> | <u>3,561</u> | <u>-0-</u> | <u>3,561</u> |
| Deferred Inflows of Resources: | | | | | |
| Deferred inflows of resources – property taxes | <u> </u> | <u> </u> | <u> </u> | <u>547</u> | <u>547</u> |
| Total deferred inflows of resources | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>547</u> | <u>547</u> |
| Fund Balances: | | | | | |
| Restricted: | | | | | |
| Contributor purposes | 1,616 | | | | 1,616 |
| Economic development | | 117,423 | | | 117,423 |
| Debt service | | | | 14,814 | 14,814 |
| Unassigned | <u> </u> | <u> </u> | <u>(3,561)</u> | <u> </u> | <u>(3,561)</u> |
| Total fund balances | <u>1,616</u> | <u>117,423</u> | <u>(3,561)</u> | <u>14,814</u> | <u>130,292</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 1,616</u> | <u>\$ 117,423</u> | <u>\$ -0-</u> | <u>\$ 15,361</u> | <u>\$ 134,400</u> |

CITY OF WEST COLUMBIA

West Columbia, Texas

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2015

| | Special Revenue Funds | | | | |
|--|-------------------------------|-----------------------------------|-------------------------|-------------------------|--|
| | Replica and Museum Fund | Hotel Occupancy Tax Fund | Capitol Park Fund | Debt Service Fund | Total Nonmajor Governmental Funds |
| <u>Revenues</u> | | | | | |
| Taxes | \$ | \$ 57,913 | \$ | \$ 378 | \$ 58,291 |
| Miscellaneous | 131 | 369 | 1 | 125 | 626 |
| Total revenues | 131 | 58,282 | 1 | 503 | 58,917 |
| <u>Expenditures</u> | | | | | |
| Current: | | | | | |
| Culture and Recreation: | | | | | |
| Community development | | 11,285 | 806 | | 12,091 |
| Debt Service: | | | | | |
| Principal | | | | 40,000 | 40,000 |
| Interest and fiscal charges | | | | 4,968 | 4,968 |
| Total expenditures | -0- | 11,285 | 806 | 44,968 | 57,059 |
| Excess (deficiency) of revenues over expenditures | 131 | 46,997 | (805) | (44,465) | 1,858 |
| Other Financing Sources (Uses): | | | | | |
| Transfers in | | | | 44,145 | 44,145 |
| Transfer out | | (31,488) | | | (31,488) |
| Total other financing sources (uses) | -0- | (31,488) | -0- | 44,145 | 12,657 |
| Net change in fund balances | 131 | 15,509 | (805) | (320) | 14,515 |
| Fund balances – beginning | 1,485 | 101,914 | (2,756) | 15,134 | 115,777 |
| Fund balances – ending | \$ 1,616 | \$ 117,423 | \$(3,561) | \$ 14,814 | \$ 130,292 |

CITY OF WEST COLUMBIA
West Columbia, Texas

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
DEBT SERVICE FUND**

For the Year Ended September 30, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|------------------|------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 800 | \$ 1,275 | \$ 378 | \$(897) |
| Miscellaneous | <u>25</u> | <u>(25)</u> | <u>125</u> | <u>150</u> |
| Total revenues | <u>825</u> | <u>1,250</u> | <u>503</u> | <u>(747)</u> |
| Expenditures: | | | | |
| Debt Service: | | | | |
| Principal on long-term debt | 40,000 | 40,000 | 40,000 | -0- |
| Interest on long-term debt | <u>4,968</u> | <u>4,968</u> | <u>4,968</u> | <u>-0-</u> |
| Total expenditures | <u>44,968</u> | <u>44,968</u> | <u>44,968</u> | <u>-0-</u> |
| Excess of revenues over (under) expenditures | (44,143) | (43,718) | (44,465) | (747) |
| Other Financing Sources (Uses): | | | | |
| Transfers in | <u>44,143</u> | <u>43,718</u> | <u>44,145</u> | <u>427</u> |
| Total other financing sources (uses) | <u>44,143</u> | <u>43,718</u> | <u>44,145</u> | <u>427</u> |
| Net change in fund balances | -0- | -0- | (320) | (320) |
| Fund balances – beginning | <u>15,134</u> | <u>15,134</u> | <u>15,134</u> | <u>-0-</u> |
| Fund balances – ending | <u>\$ 15,134</u> | <u>\$ 15,134</u> | <u>\$ 14,814</u> | <u>\$(320)</u> |

CITY OF WEST COLUMBIA
West Columbia, Texas

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
REPLICA AND MUSEUM SPECIAL REVENUE FUND**

For the Year Ended September 30, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|-----------------------------|------------------|----------|----------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Miscellaneous | \$ 50 | \$ 50 | \$ 131 | \$ 81 |
| Total revenues | 50 | 50 | 131 | 81 |
| Expenditures: | | | | |
| Current: | | | | |
| Culture and Recreation: | | | | |
| Community development | 50 | 50 | | 50 |
| Total expenditures | 50 | 50 | -0- | 50 |
| Net change in fund balances | -0- | -0- | 131 | 131 |
| Fund balances – beginning | 1,485 | 1,485 | 1,485 | -0- |
| Fund balances – ending | \$ 1,485 | \$ 1,485 | \$ 1,616 | \$ 131 |

CITY OF WEST COLUMBIA
West Columbia, Texas

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
HOTEL OCCUPANCY TAX SPECIAL REVENUE FUND**

For the Year Ended September 30, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Taxes | \$ 30,000 | \$ 48,000 | \$ 57,913 | \$ 9,913 |
| Miscellaneous | <u>100</u> | <u>100</u> | <u>369</u> | <u>269</u> |
| Total revenues | <u>30,100</u> | <u>48,100</u> | <u>58,282</u> | <u>10,182</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Culture and Recreation: | | | | |
| Community development | <u>17,000</u> | <u>18,060</u> | <u>11,285</u> | <u>6,775</u> |
| Total expenditures | <u>17,000</u> | <u>18,060</u> | <u>11,285</u> | <u>6,775</u> |
| Excess (deficiency) of revenues over expenditures | <u>13,100</u> | <u>30,040</u> | <u>46,997</u> | <u>16,957</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers out | <u>(13,100)</u> | <u>(30,040)</u> | <u>(31,488)</u> | <u>(1,448)</u> |
| Total other financing sources (uses) | <u>(13,100)</u> | <u>(30,040)</u> | <u>(31,488)</u> | <u>(1,448)</u> |
| Net change in fund balances | -0- | -0- | 15,509 | 15,509 |
| Fund balances – beginning | <u>101,914</u> | <u>101,914</u> | <u>101,914</u> | <u>-0-</u> |
| Fund balances – ending | <u>\$ 101,914</u> | <u>\$ 101,914</u> | <u>\$ 117,423</u> | <u>\$ 15,509</u> |

CITY OF WEST COLUMBIA

West Columbia, Texas

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
CAPITAL IMPROVEMENT FUND**

For the Year Ended September 30, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Miscellaneous | \$ 400 | \$ 1,200 | \$ 1,569 | \$ 369 |
| Total revenues | <u>400</u> | <u>1,200</u> | <u>1,569</u> | <u>369</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public Works: | | | | |
| Streets and drainage | | | 3,408 | (3,408) |
| Capital outlay | <u>225,400</u> | <u>226,200</u> | <u>217,749</u> | <u>8,451</u> |
| Total expenditures | <u>225,400</u> | <u>226,200</u> | <u>221,157</u> | <u>8,451</u> |
| Excess (deficiency) of revenues over expenditures | <u>(225,000)</u> | <u>(225,000)</u> | <u>(219,588)</u> | <u>8,820</u> |
| Other Financing Sources (Uses): | | | | |
| Transfers in | <u>225,000</u> | <u>225,000</u> | <u>256,406</u> | <u>31,406</u> |
| Total other financing sources (uses) | <u>225,000</u> | <u>225,000</u> | <u>256,406</u> | <u>-0-</u> |
| Net change in fund balances | -0- | -0- | 36,818 | 8,820 |
| Fund balances – beginning | <u>390,836</u> | <u>390,836</u> | <u>390,836</u> | <u>-0-</u> |
| Fund balances – ending | <u>\$ 390,836</u> | <u>\$ 390,836</u> | <u>\$ 427,654</u> | <u>\$ 8,820</u> |

CITY OF WEST COLUMBIA
West Columbia, Texas

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
CAPITOL PARK FUND**

For the Year Ended September 30, 2015

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|---|------------------|------------|------------|---|
| | Original | Final | | |
| Revenues: | | | | |
| Miscellaneous | \$ 1,500 | \$ 1,500 | \$ 1 | \$(1,499) |
| Total revenues | 1,500 | 1,500 | 1 | (1,499) |
| Expenditures: | | | | |
| Current: | | | | |
| Culture and Recreation: | | | | |
| Community development | | 515 | 806 | (291) |
| Total expenditures | -0- | 515 | 806 | (291) |
| Excess (deficiency) of revenues over expenditures | 1,500 | 985 | (805) | (1,790) |
| Other Financing Sources (Uses): | | | | |
| Transfers in | | | | -0- |
| Total other financing sources (uses) | -0- | -0- | -0- | -0- |
| Net change in fund balances | 1,500 | 985 | (805) | (1,790) |
| Fund balances – beginning | (2,756) | (2,756) | (2,756) | -0- |
| Fund balances – ending | \$(1,256) | \$(1,771) | \$(3,561) | \$(1,790) |

CITY OF WEST COLUMBIA

West Columbia, Texas

**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES
IN FUND NET POSITION - ACTUAL COMPARED TO BUDGETARY BASIS
ENTERPRISE FUND**

For the Year Ended September 30, 2015

| | Budgeted Amounts | |
|--|---------------------|---------------------|
| | Original | Final |
| Operating Revenues: | | |
| Water service | \$ 600,000 | \$ 614,065 |
| Sewer charges | 600,000 | 600,000 |
| Varner Creek Utility District | 165,000 | 165,000 |
| Miscellaneous | <u>70,900</u> | <u>104,000</u> |
| Total operating revenues | <u>1,435,900</u> | <u>1,483,065</u> |
| Operating Expenses: | | |
| Water production | 189,535 | 312,614 |
| Water distribution | 378,040 | 335,660 |
| Water administration | 140,230 | 128,535 |
| Sewer collection | 160,095 | 136,056 |
| Sewer treatment plant | 431,500 | 434,700 |
| Depreciation | | |
| Total operating expenses | <u>1,299,400</u> | <u>1,347,565</u> |
| Operating income | <u>136,500</u> | <u>135,500</u> |
| Nonoperating Revenues (Expenses): | | |
| Interest revenue | 2,000 | 3,000 |
| Capital outlay | (17,000) | (17,000) |
| Debt principal payments | <u>(15,000)</u> | <u>(15,000)</u> |
| Total nonoperating revenues (expenses) | <u>(30,000)</u> | <u>(29,000)</u> |
| Net income (loss) before contributions and operating transfers | 106,500 | 106,500 |
| Capital contributions | | |
| Transfers in | 20,000 | 20,000 |
| Transfers out | <u>(126,500)</u> | <u>(126,500)</u> |
| Change in net position | -0- | -0- |
| Net position – beginning (restated) | <u>4,302,532</u> | <u>4,302,532</u> |
| Net position – ending | <u>\$ 4,302,532</u> | <u>\$ 4,302,532</u> |

| Actual | Adjustments to Budgetary Basis | Actual on Budgetary Basis | Variance with Final Budget- Positive (Negative) |
|---------------------|--------------------------------------|---------------------------------|--|
| \$ 664,914 | \$ | \$ 664,914 | \$ 50,849 |
| 621,650 | | 621,650 | 21,650 |
| 169,443 | | 169,443 | 4,443 |
| <u>117,954</u> | | <u>117,954</u> | <u>13,954</u> |
| 1,573,961 | -0- | 1,573,961 | 90,896 |
| 206,875 | 2,143 | 209,018 | 103,596 |
| 329,491 | 5,214 | 334,705 | 955 |
| 126,158 | 2,074 | 128,232 | 303 |
| 98,074 | 1,168 | 99,242 | 36,814 |
| 335,952 | 5,955 | 341,907 | 92,793 |
| <u>166,557</u> | <u>(166,557)</u> | <u>-0-</u> | <u>-0-</u> |
| <u>1,263,107</u> | <u>(150,003)</u> | <u>1,113,104</u> | <u>234,461</u> |
| <u>310,854</u> | <u>150,003</u> | <u>460,857</u> | <u>325,357</u> |
| 4,241 | | 4,241 | 1,241 |
| | (55,030) | (55,030) | (38,030) |
| | | | 15,000 |
| <u>4,241</u> | <u>(55,030)</u> | <u>(50,789)</u> | <u>(21,789)</u> |
| 315,095 | 94,973 | 410,068 | 303,568 |
| 205,500 | (205,500) | -0- | -0- |
| | | -0- | (20,000) |
| <u>(248,503)</u> | <u>-0-</u> | <u>(248,503)</u> | <u>(122,003)</u> |
| 272,092 | (110,527) | 161,565 | 161,565 |
| <u>4,302,532</u> | | <u>4,302,532</u> | <u>-0-</u> |
| <u>\$ 4,574,624</u> | <u>\$ (110,527)</u> | <u>\$ 4,464,097</u> | <u>\$ 161,565</u> |

THIS PAGE LEFT BLANK INTENTIONALLY